



# THE INDIAN CO-OPERATIVE REVIEW

Vol. VII

JANUARY—MARCH, 1941

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# THE INDIAN CO-OPERATIVE REVIEW

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## EDITORIAL NOTES

### OURSELVES

*The Indian Co-operative Review* enters on the seventh year of its life with this, the twenty-fifth issue. We gratefully acknowledge the support we have been receiving from the Registrars of Co-operative Societies and leading non-official co-operators in the Provinces and States of India. What we now ask for is a much larger measure of financial support from individual co-operators and institutions. The subscribers' list has been more or less static all these six years, and we make an earnest appeal to all those interested in co-operation to extend their patronage to the *Review* so as to make it self-supporting, particularly in view of the increase in the cost of printing and publication on account of the War.

We have been devoting the pages of the *Review* almost from its inception to the collection and analysis of material from a "sectional" as well as a "central" view point, for the reason that the development of the Movement in the several Provinces and States naturally followed its own peculiar lines determined by local conditions and circumstances. We believe that teachers and students of co-operation and writers dealing with the subject either from a regional or topical standpoint will find useful material in the volumes of the *Review*. Have we not also a higher aim in view? Dr. C. R. Fay, Chairman of the Horace Plunkett Foundation, observes in the course of the review of a book in *The Year-Book of Agricultural Co-operation, 1941*: "In all countries, when a certain stage of maturity has been reached, interest shifts for a time from central to sectional history. This is the point which has been reached in India . . . . *This itself would not be the final stage.* For it would then be the duty of these writers or their successors to meet together in central council and plan a work on Indian Co-operation as a whole, which would be a careful generalisation from the better practice of the different sections . . . . One man cannot easily bring together the material out of which a true picture of Indian Co-operation,—its past, present and possibilities—can be framed." It has indeed been our ambition to collect together



in the pages of this *Review* in the shape of contributions from well-informed and experienced workers in the field, in all parts of India, as much material as possible to enable the two All-India Co-operative Associations to entrust in the near future to a competent central council of writers on co-operation the task of planning and publishing a comprehensive work on Indian co-operation.

It has also been, and it will continue to be, our policy to throw open the pages of this *Review* to contributions on allied subjects which have an intimate bearing on the development of co-operation on right lines. There can be no doubt that co-operators in India are agreed that unless an atmosphere and environment favourable to the development of co-operation on sound lines is created and fostered, the Movement cannot make any substantial contribution to the socio-economic regeneration of the masses. The effects of land tenures and the agrarian policy of the State on the economic position of the agriculturists who constitute the bulk of our members, the incidence of rural indebtedness and measures adopted by the Provincial and State Governments to deal with it and the creation of village self-governing institutions, like statutory village panchayats, are subjects in which co-operators must feel intensely interested.

We regret the delay in the publication of this issue of the *Review*. The delay is partly due to the time taken in getting contributions from ten different Provinces and States on the evolution and working of their respective Provincial Banks and other articles which have increased the size of this number to the biggest on record and partly to our prolonged illness since our return from the Session of the Standing Committees held in January last at Bombay.

### PROVINCIAL CO-OPERATIVE BANKS

A study of the origin, working and progress of the Provincial Co-operative Banks in India will not only give us an idea of the history and fortunes of those apex institutions but also give us an insight into the organisation and development of co-operative finance in the several Provinces and States. How different the conditions are in several parts of India in regard to evolution of co-operative credit and how those conditions have determined the lines of development of the credit institutions therein can be gathered from the very interesting accounts of the ten Provincial Co-operative Banks which are published in this issue,—the notable omissions being Assam among the British Indian Provinces and Hyderabad among the Indian States, accounts of whose Provincial Co-operative Banks we hope to be able to get in time for our next issue. We are indebted to the several contributors who have generously responded to our invitation.

All the major British Indian Provinces except United Provinces have a Provincial Co-operative Bank of their own. The establishment of a

Provincial Co-operative Bank in U.P. is long overdue. We understand that the early inauguration of such an institution is in contemplation, and we are looking forward eagerly to that happy event.

Generally speaking, the quantitative and statistical information furnished in the accounts published in this issue do not necessarily give an idea of the qualitative character of the institutions or of their financial position, as for instance in Bengal, Bihar, and Central Provinces and Berar where large bulk of the loans outstanding in the societies have become frozen and schemes for rehabilitation or reconstruction are in progress. We reserve for our next issue a critical examination of the lines on which the several apex banks in the Provinces and States have developed, their special features, present position and future possibilities.

### REHABILITATION OF THE MOVEMENT IN BIHAR

We publish elsewhere the scheme sanctioned by the Government of Bihar to rehabilitate the Co-operative Movement in that Province. The problem has been engaging the attention of the Provincial Government and the non-official co-operators of the Province for the last three or four years. But having regard to the complexity and the magnitude of the task, the elaborate and thorough nature of the preliminary enquiries into the condition of the societies and their members and the unfortunate developments in the national and international situation, the delay that has occurred in giving a final shape to the scheme of rehabilitation is perhaps inevitable. We had opportunities of getting acquainted with the nature of the economic investigations that were conducted in connection with the rehabilitation scheme. Bihar was fortunate in having at that time an able, conscientious and painstaking officer at the head of the Co-operative Department in Mr. N. Baksi, I.C.S., but for whose labours, the work of the Rehabilitation Committee and the Board of Experts would not have been easy. The investigations included the ascertainment of the repaying capacity and the value of the lands possessed by each member of every society that came under the scope of enquiry. It is only in Bihar and the Central Provinces that systematic investigations of agricultural costs and profits, land values and repaying capacity of the cultivator have been undertaken by the Co-operative Departments in several representative regions of the Provinces, though the freezing of the credit in the rural societies and unrealisability of a large proportion thereof is a common feature of all the Provinces. We are gratified to learn that Mr. Baksi's successor in office, Mr. M. M. Philip, I.C.S., is keen on implementing the decision of the Provincial Government in regard to the rehabilitation of the Movement.

The scheme which mainly aims at reconstructing the machinery for rural credit, which is practically in a state of collapse in the Province, rightly deals with the co-operative credit organisation as a whole—the Provincial Bank, Central Banks and village societies. These institutions which cannot function as isolated units, correspond to the several parts of a sound irrigation system—its catchment areas, reservoirs, and supply channels. A steady and continuous flow of productive rural credit can be ensured only by carefully planning these several parts of the system and keeping them in good repair, so that the flow,

may not be interrupted or blocked until it "reaches the fields to be irrigated and waters every root." The reconstruction of the primary societies on which the credit structure really rests is naturally based on a plan to relieve the members of societies from the heavy burden of their accumulated debt, by scaling it down, as far as possible, to the level of their capacity to pay. The rate of interest on the loans after being so scaled down will be reduced to 7 per cent, as against the pre-reconstruction rates of interest ranging from 9 to 15 per cent, and the scaled down debt will be made repayable in easy instalments over a period not exceeding 20 years. In this process of reconstruction, the members of the rural credit societies are classified under two heads: "retained members" and "eliminated members". Those whose repaying capacity is such as enables them to pay at least the principal amount of their outstanding loan together with future interest at 7 per cent over a maximum period of 20 years are to be retained, and those who do not fulfill this test or are otherwise uncreditworthy are to be eliminated. The retained members of the reconstructed societies are also to be helped by advances of small crop loans with a view to enable them to carry on their agricultural operations during the period of repayment of the scaled down debt.

The Central Banks are classified under the scheme into three categories: (a) comparatively good banks in which the percentage of net deficit to gross liabilities is below 25 per cent; (b) banks in which the percentage is over 50 per cent. It is decided to reconstruct such of the banks in groups (a) and (b) as may be considered by the Government suitable for reconstruction, and to liquidate the banks in group (c). The recoverable assets of the Central Banks are broadly classified into interest-bearing and non-interest-bearing. The interest-bearing assets of a co-operative Central Bank mainly represent the dues estimated as recoverable from the 'retained members' of reconstructed societies, while non-interest-bearing assets represent the dues estimated as recoverable from 'eliminated members,' members of liquidated societies and investments in lands and buildings held by societies and Central Banks and certain other items.

To facilitate the process of reconstruction, the Government will grant a subsidy, as contribution towards loss, a sum not exceeding Rs. 12 lakhs, besides advancing to the reconstructed Central Banks a loan not exceeding 50 per cent of the recoverable assets from the reconstructed societies, to a limit of Rs. 14 lakhs. The loan will be advanced through the Provincial Co-operative Bank. While the Government propose to charge a rate of  $3\frac{1}{2}$  per cent on such advances to the Provincial Bank, the Provincial Bank will charge 4 per cent to the reconstructed Central Banks. The sum of Rs. 12 lakhs granted as subsidy and Rs. 14 lakhs advanced as loan will be utilised for repayment to the creditors (other than the Provincial Bank) of the reconstructed Central Banks on a *pro rata* basis. Any loss not covered by this measure of financial assistance or eventually recouped from collections of realisable assets in due course after meeting the obligations to the Provincial Government, will be borne by the creditors of the Central Banks. Besides the subsidy and the loan mentioned above, the Government will also provide a sum of Rs. 10 lakhs for

crop loans to retained members of reconstructed societies, to whom reference has already been made. The Government have further agreed to grant a subsidy of Rs. 5 lakhs to the reconstructed Central Banks towards the cost of management at Rs. 1 lakh per annum, in addition to bearing the expenditure on audit for the next five years, which is estimated to cost another sum of Rs. 5 lakhs. A sum of Rs. 2 lakhs is provided for special staff for liquidation, and a sum of Rs. 1 lakh for the salary of the Banking Adviser. In all, Government have provided for an expenditure of Rs. 49 lakhs under the scheme, of which about one half, Rs. 25 lakhs, will be by way of contribution and the balance of Rs. 24 lakhs by way of loan secured on the assets against which it is advanced. This is in addition to the Government's preparedness to bear the loss of the Provincial Bank, which is roughly estimated at about Rs. 18 lakhs. The Government are further pleased to guarantee to the Provincial Bank a cash credit of the sum considered sufficient to ensure ability to pay deposits. The management of the Provincial Bank during the period of rehabilitation will be entrusted to a small Interim Board, consisting of a Chairman and six other members, who will be elected in accordance with the by-laws suitably amended for the purpose, besides the Banking Adviser who will be the *ex-officio* Managing Director of the Bank.

The Board of Experts, constituted by the Bihar Government to advise them on rehabilitation of the Co-operative Movement,\* recommended *inter alia* the following main items of financial assistance by the Provincial Government: *firstly*, a subsidy to the reconstructed Central Banks of a sum representing 12½ per cent of the creditors' claims in all Central Banks in which the loss is 25 per cent of the outside liabilities or more—this was estimated at about Rs. 11 lakhs; *secondly*, a loan to the reconstructed Central Banks on a strictly business footing of a sum not exceeding 50 per cent of the realisable assets represented by the loans outstanding against the retained members in the societies under certain safeguards and conditions, the loans bearing interest at half per cent over the Bank Rate—this loan was estimated at not more than Rs. 15 lakhs; and *thirdly* a guaranteed cash credit to the Provincial Bank to the extent of Rs. 20 to 30 lakhs for future finance, besides treating the sum of Rs. 24 lakhs, which is now shown in the balance sheet of the Provincial Bank as a loan due to the Government, as a guarantee fund for meeting losses arising from bad and doubtful debts in the Provincial Bank. Though the scheme of financial assistance to the Movement ultimately sanctioned by the Govern-

\* The following were the members of the Board of Experts:—

- |  |                 |
|--|-----------------|
| 1. The Hon'ble Mr. V. Ramadas Pantulu,                       | <i>Chairman</i> |
| 2. Dewan Bahadur K. Deivasikhamani Mudaliar, M.L.C.,         |                 |
| 3. Mr. Vaikunth L. Mehta;                                    |                 |
| 4. Mr. Dip Narayan Sinha, M.L.A.;                            |                 |
| 5. Mr. Ram Charitra Sinha, M.L.A.;                           |                 |
| 6. Mr. Binodanand Jha, M.L.A.;                               |                 |
| 7. Rai Bahadur Shyamnandan Sahay;                            |                 |
| 8. Khan Bahadur Saghirul Haque, M.L.A.; and                  |                 |
| 9. Mr. N. Baksi, I.C.S., Registrar of Co-operative Societies | <i>Convener</i> |

ment differs from the recommendations of the Board of Experts in some material particulars, yet it goes a long way in achieving the two main objects which the Board of Experts had in view in making their recommendations, *viz.*, affording some measure of immediate, though partial, relief to the creditors of the Central Banks who have been severely hit by the deterioration of the Movement, and vouchsafing reasonable chance for the reconstructed Central Banks and rural credit societies to carry on their business in future, though on a much restricted scale. We hope and trust that the endeavour of the Provincial Government to rehabilitate the Movement in Bihar under this scheme will prove successful and the Movement will once more be enabled to subserve the interests of the agriculturists of the Province.

As we have often said before, measures to revive and strengthen the co-operative societies will not by themselves result in improving the economic position of their members, or prevent societies from lapsing into their former desperate plight. Other reforms like a sound agrarian policy on the part of the Provincial Governments are also called for. Co-operation itself needs planning. As Dr. Radhakamal Mukerjee, whose interesting article on "Planned Co-operation" is assigned the place of honour in this issue puts it, "Planned Co-operation must be an offensive on all fronts". Weakness or indefensibility in one sector will establish the foe in no time within the entire territory."

#### REHABILITATION OF THE MOVEMENT IN OTHER PROVINCES

**Orissa.**—After the accounts of the Bihar & Orissa Provincial Co-operative Bank were settled with the Central Banks in North Orissa in August 1938, the connection between those Central Banks and the Bihar Provincial Bank ceased. As a result of such settlement, the Orissa Government undertook to pay the Bihar Provincial Bank a sum of Rs. 3.75 lakhs in eight equal instalments in full settlement of its claims against the Central Banks in North Orissa. In this connection it must be mentioned that the two Central Banks in what is now called South Orissa, *viz.*, those at Aska and Berhampore, have all along been affiliated to and financed by the Madras Provincial Co-operative Bank as their area of operations formed part of the then Madras Province. Even after the formation of a separate province for Orissa and the transfer of that area to it, that arrangement has been continuing till to-day. These two banks in South Orissa are in a comparatively stronger financial position than the Central Banks in North Orissa. It was contemplated that they should be affiliated to the Provincial Bank of Orissa as soon as one was constituted. As a matter of fact, a Provincial Bank for Orissa was registered in 1936 and the assets of the Central Banks in North Orissa were transferred to that Bank on paper after the settlement with the Bihar Provincial Bank in 1938. Indeed this was considered to be a step forward in the creation of a Provincial Co-operative Bank for Orissa. But the scheme has been abandoned for the time being. In a recent communique issued by the Government of Orissa, a summary of which is published elsewhere in this issue, it is definitely stated that the present circumstances are not suitable for the establishment of a Provincial Bank. The Government have, however, made a very modest provision of Rs. 1.5 lakhs in the

budget estimate of 1941-42 to finance the primary societies situated in areas not served by solvent central banks capable of financing the societies.

The Government of Orissa have decided to fix the rate of interest payable by the members at 8 per cent on loans not overdue, and one per cent more on overdue loans, and to make these rates applicable to all loans outstanding on 1st July 1941 or to be issued thereafter. While we are in agreement with the view of the Orissa Government that the present time is not suitable for the starting of a Provincial Co-operative Bank, we feel that not only some better and more adequate provision should have been made for financing the primary societies in that Province but steps should have also been taken to rehabilitate such of the Central Banks in North Orissa as are capable of reconstruction, with some measure of financial assistance from the Government. In regard to the rate of interest it should not have been put up in any case above 7 per cent, which is the rate now fixed by the Government of Bihar in their rehabilitation scheme.

**Central Provinces and Berar.**—The scheme of rehabilitation of the Central Banks in Berar suggested by the Standing Committees of the All-India Co-operative Associations has unfortunately not been accepted by the Government of C. P. and Berar. But we realise the difficulties of the Provincial Government, which arose partly from the attitude adopted by the creditors of those banks, and partly by the new situation created by the outbreak of the war. The communiques issued by the Provincial Government on 9th September 1939 and 26th March 1940, which have already appeared in the pages of this Review, are now followed up by a programme of thorough enquiry into the assets and liabilities of the members of societies and their repaying capacity and to work out the figures of debts which can be repaid by the members within a maximum period of 20 years. The Central Banks are expected to do some preliminary work before the official enquiry is actually started. Elaborate and exhaustive instructions for the rehabilitation enquiry have been issued by the Co-operative Department. At the meeting of the Standing Committees held at Bombay in January last, Sir M. G. Deshpande and Rao Bahadur R. M. Khare informed us that the enquiries were likely to be finished by about the end of the current co-operative year. It is not known how far the enquiries have proceeded. We were also informed at that meeting that until the enquiry was completed it would not be possible to know the total loss to the Central Banks in Berar. The Provincial Bank of C. P. and Berar has, however, agreed to bear part of the loss thus ascertained, to the extent of about Rs. 10 lakhs; and the Government after much hesitation seem to have now agreed to meet the deficit in expenditure of the Central Banks to the extent of Rs. 1 lakh per annum for not more than 3 years in the first instance. There are other helpful features like a sharp rise in the price level of cotton, which is the chief money crop of the Province and evidence of increasing demand for lands which have been hanging on the hands of Central Banks and societies as frozen assets, with consequent rise in land values. These signs of economic prosperity, which may be temporary and not such as to lead to a real

increase in the income and purchasing power of the cultivator, as we stated at the last session of the Registrars' Conference in December 1939, may, however, lead to stiffer demands on the part of the creditors of the Central Banks on the plea that the repaying capacity of the members of societies would rise correspondingly with the upward trend in the price level of cotton and land values. We trust that the recent addition to the Co-operative Societies Act of Section 42-B and other measures that the Government may adopt will bring about a reasonable settlement, fair alike to the creditors and the Central Banks. In any case, we hope that the final decision of the Government based on the enquiries in progress will be announced soon and that no further time will be lost in implementing an effective scheme for the rehabilitation of the Movement in the Province.

**Bengal.**—We publish elsewhere extracts from the *Bengal Co-operative Journal*, January-March 1941, which disclose that no tangible action has so far been taken on the scheme of rehabilitation drawn up by the former Registrar of Co-operative Societies. We, however, believe that the matter is engaging the earnest attention of the Provincial Government and the present Registrar. It is said that "tired of the static Government, the restive non-official co-operators" have begun to move in the matter and that their activity found expression in the decisions of the meeting held in Calcutta on the 22nd and 23rd March last under the presidency of Mr. W. C. Wordsworth, Chairman of the Bengal Provincial Co-operative Bank. The suggestions of these non-official co-operators are set out in some detail in the extract referred to. Now that a constructive scheme has been chalked out by the co-operators of Bengal themselves, we hope that the Government of Bengal will examine the scheme carefully along with such other schemes as may be pending before them and take speedy action in that behalf, for the present situation should in no case be allowed to continue.

In this connection we are glad to find that the co-operators of Bengal have endorsed the view expressed by us that the passing of a stringent Co-operative Societies' Act vesting new and wider powers of control in the Registrar would not by itself help the rehabilitation of the Movement. Prof. J. P. Niyogi, in his *Co-operative Movement in Bengal*, rightly points out that while the new Co-operative Societies Act of Bengal may be of some use to deal with the present situation, if permanently placed on the Statute Book, "there will emerge a form of co-operation which is drilled and regimented by the State, and State-controlled co-operation will hardly offer a permanent solution towards our endeavour to build up a vigorous and self-reliant movement." So, something should be done on the constructive side also as speedily as possible. The scheme of rehabilitation must aim at two things: firstly immediate action for setting the credit organisation once again on its feet by removing the malady which now afflicts the movement and nextly comprehensive planning to prevent the reconstructed societies from lapsing into their present paralytic condition, which becomes possible only by improving the economic condition of their members.

## PLANNED CO-OPERATION

By

DR. RADHAKAMAL MUKERJEE,

*Head of the Department of Economics and Sociology  
Lucknow University.*

**Co-operation, a Many-sided Approach.**—Co-operation has succeeded best in those regions in India where it has not been a mere economic movement, but has improved along with business methods the moral and social standards of the villager. Since co-operation touches the social tissue, no success can attain the efforts of the co-operator unless co-operation forms a phase of a many-sided advance, a part of an entire rural reconstruction movement. In those spacious days of early co-operation the leaders of the movement were on the whole more anxious for records of the number of Co-operative Societies and of membership, without paying due heed to real stability and solidity of the movement, rooted as these are in better living and farming and improvement of business methods and of credit-worthiness.

Not merely the forces responsible for a quick mushroom growth of Co-operative Societies were largely responsible for the present debacle, but the agricultural depression reduced the cultivator's source of income and credit between 1928 and 1933 from 61 per cent. in Bengal to 35 per cent. in the United Provinces.

In other countries the Government has stepped in by a forward currency and agricultural policy, reduction of the interest rate on loans and State-aid to crop finance and marketing to over the economic effects of the slump; but in India nothing effective was done in this connection and the effects of the agricultural depression were aggravated by the cumulative effects of violation of both business and moral principles in co-operative finance.

Planning is essential not merely for the rehabilitation of the bankrupt societies, for their integration into improved societies, and for re-organising the arrangement and agencies for short-term and long-term credit but also, and what is more essential, for relating the Co-operative Movement to the improvement of crop practice, crop marketing and rural reconstruction generally.

As long as the Co-operative Movement does not link itself with the entire range of methods and agencies for the improvement of income and



credit-worthiness of the cultivator, it cannot be rescued from the mire of bankruptcy and the rut of business inefficiency into which it has fallen.

**Rehabilitation of Bankrupt Cultivators.**—A Co-operative Movement which aims at strengthening the economic position of the weak by association with the strong will be untrue to itself if it seeks to eliminate the weak from its protection in a drastic manner. Instead of ousting the cultivators who have now become insolvent and are likely to be so without adequate means of life, efforts should be made to rehabilitate and restore them to the care of the Co-operative Movement. The extent of relief to such distressed farmers can only be gauged by a careful economic investigation of the repaying capacity and the value of land of each member of the society, which will be preliminary to assessment of the repaying capacity of the societies and the assets of the Central Banks. It is noteworthy that while almost all the provinces of India have found that a not inconsiderable proportion of the debt of members to the Societies is unrealisable, it is only in Bihar and the Central Provinces that a thorough investigation of agricultural costs and profits, land values and repaying capacity of the cultivator has been undertaken by the Co-operative Department in several representative regions. Under present conditions agriculture is a submarginal occupation offering no profits for about half the cultivators in the crowded regions of the Ganges Valley, where holdings have become uneconomic due to continuous sub-division. It is probable that members of Co-operative Societies are better off than the average cultivator and that those who are now bankrupt will not represent half the farming population. But since the proportion of bankrupt cultivators will be considerable, we have to rehabilitate their credit by means of subsidies, by reduction of the burden of mortgage and other loans, and other measures.

While it is certain that we can no longer permit the bankrupt to drag down the well-to-do cultivators to a common doom spelt by the ruin of the Co-operative Movement, it is equally definite that the Government must enable the bankrupt cultivators to make arrangements with the Co-operative Societies and outside creditors and afford them facilities for reduction or conversion of old debts regarded as too onerous or unredeemable. The recent debt legislation of Denmark, where the farmer's indebtedness led to the collapse of farms, is worthy of serious consideration not merely in Bihar but also in the other provinces of India. The Danish Government has in the first instance relieved the farmers by the establishment of Crisis Funds for the grant of subsidies to the most distressed farmers in order to put them in a position to pay their mortgage and fiscal charges. Forty-two million crowns were distributed among 135,000 farmers, i.e., 67 per cent of all the farmers in

the country. Another country in Europe which has paid a direct subsidy to the distressed farmers during the agricultural depression is Italy. Short-term loans have here been converted into long-period debt, and the State undertakes to pay a part of the repayment instalments to the extent of  $2\frac{1}{2}$  per cent. The State has also granted a contribution towards the payment of interest for loans payable in five annual instalments obtained from agricultural banks.

It seems necessary that in order to avert the present crisis for the cultivators, and the stampede of credit caused by the emergent debt legislation the Government should find money for the creation of a Rehabilitation Fund, like that of Denmark, to lighten the burden of mortgage debt and of interest and rent payable by distressed tenants to be distributed among the latter according to determined principles. Secondly, the Danish Government has by law facilitated the conversion to loans at a lower rate of interest of the loans granted by the mortgage credit companies. The application of the Danish and Italian precedents to Bihar conditions may be as follows:—The Government after reducing the claims of Co-operative Societies and outside creditors by, say, 50 per cent on the ground of the fall of agricultural prices, which calls for revision of contractual obligations, will contribute a portion of the repayment instalments. The Government will also grant loans covering the remainder of the liability to the bankrupt cultivators on the basis of mortgage of their holdings to the State on these conditions; freedom from payments for ten years, and afterwards, payment by instalments, and a rate of interest not exceeding  $4\frac{1}{2}$  per cent. The Government will raise money by issuing debentures on the basis of the mortgaged properties. To obtain the loan, the tenant's debt must exceed the mortgage value of the holding by at least 10 per cent, while the loan itself cannot exceed 25 per cent of the mortgage value of the property and must be guaranteed by a mortgage not exceeding 10 per cent. of the value of the property. In lieu of the subsidy and facility of credit offered by Government it may be insisted upon that in the succession the tenants' holding should pass undivided to one person (the preferred heir). The charges burdening the succession (including the mortgage debt) must be met as far as possible out of fortune other than the landed property. No new debt can be incurred without the consent of the Co-operative Society or the land mortgage bank, which has rehabilitated the credit of the cultivator. Loans out of this Rehabilitation Fund will be granted also to Co-operative Societies and private money-lenders in order to enable them to meet the difficulties that may arise in consequence of the application of the law on the moratorium. The present debt legislation of the major provinces of India, which only provides for compulsory scaling-down of debts and rate of interest and application of a moratorium, and too

greatly sacrifices the creditors without making any arrangement for the financial recovery of the bankrupt cultivators aggravates the crisis of agricultural indebtedness. In the debt relief legislation of many agricultural countries in Europe importance was given as much to the adjustment or conciliation of debts as to the conversion of loans guaranteed by mortgages on farms with a view to the repayment of debts to creditors by instalments over a series of years and contribution by the State towards the repayment of instalments and the payment of interest.

In Germany the scheme of conversion of debts was facilitated by the credit granted by the Bank for German Industrial Securities, and the necessary resources for the relief of indebtedness, amounting to a total of 600 millions R. M., were drawn to a large extent from a fund formed by levies imposed on industry. The Reich guarantees up to 25 per cent of the loan granted under the conditions indicated in the event of the non-payment of the mortgage loans credited in relieving the indebtedness. In Bulgaria where the law has reduced both the amount of interest and the amount of debt of farmers, and exempted from sale the debtor's land up to 5 hectares, the reduction of debts is similarly made up out of an Amortisation Fund to which the State assigns the proceeds of the tax on vocations and the supplementary tax on total income. In Switzerland the Confederation and the Cantons both pay 5 million francs a year as subsidy to an Amortisation Fund created for the relief of indebtedness. In Bihar it is worthy of serious consideration whether such an Amortisation Fund could be created out of new taxes on industry and professions, the resources of which could be utilised both for subsidy to distressed farmers and the conversions of debts and repayment to money-lenders who renounce a part of their credit.

**Credit and Consolidation of Holdings.**—A more effective and permanent method of rehabilitating credit for the bankrupt cultivators is to make their cultivation profitable through consolidation of holdings and of croppings and through co-operative or collective farming. Many prejudices have to be overcome, many old customs abjured before we can eliminate the present serious drawbacks of (scatteredness and) fragmentation of holdings. The Government should take practical steps through legislation and otherwise to make agriculture economical for small tenants who now distribute themselves between farming and agricultural labour, and for agricultural partners and hired farm hands, who are landless but who crowd on to the land for eking out a bare living. The intractable feature of the present agricultural crisis in the United Provinces, Bihar and Bengal is that probably half the number of holdings, at least in the crowded districts, has become uneconomical. In the Punjab 20 per cent of the land owners hold less than one acre of land. In

the United Provinces more than 50 per cent of holdings are below the economic size. In Bihar the average size of holdings is estimated to be only 1.33 acres in Saran; 1.51 acres in Patna; and 1.82 acres in Muzaffarpur and 1.85 acres in Darbhanga. The minimum subsistence holding for the cultivators' family cannot be less than 4 to 5 acres in North Bihar. Vast sums of money sent by emigrants from Bengal and Assam to the villages are the mainstay of cultivation of under-sized holdings in North Bihar and the eastern and central districts of the U. P. But of late the tide of emigration has ebbed, while the rate of population increase has tended to accelerate, increasing the proportion of uneconomic holdings through fractionalisation. In Bengal three-fourths of the agricultural families possess holdings below the economic size of 5 acres and 46 per cent of the families hold less than 2 acres each.

Small tenants in undersized holdings are hardly occupied for more than 200 days in the year. Intensive farming is the only method available for the masses of people in Northern India for the improvement of income and credit. But intensive farming is being jeopardised by the excessive fractionalisation of holdings, which more than any other single factor is responsible for the poverty of debt-ridden cultivators, and the deterioration of soil fertility and animal power through the abolition of the practices of fodder cultivation and fallowing which formerly aided towards nitrogen fixation in the soil. There is no possibility of rehabilitating intensive farming except by overcoming the handicap of subdivision of holdings by either consolidation of holdings or consolidation on the basis of crops. The village will have to be divided according to the crops cultivated and each cultivator will be given, say, two compact blocks, one in the low-lying rice land and the other in the relatively high land which grows *rabi*. This will ensure both security and the economic advantage of compact farming. In the tube-well region in U.P. and in other areas as well, consolidation of cropping converts the appearance of the village area to that of a single farm consisting of fields of cane, wheat and other crops instead of the chess-board appearance of the land of most villages. The individual still owns his particular portion of any one block and he may still farm it as a separate unit; but close association of persons growing the same crop invariably leads to co-operative work on the block as a whole ; it makes the utilization of co-operatively owned implements easier, and it facilitates the demonstration of improvement and stimulates rivalry towards better production.

Consolidation of cropping is easier than consolidation of holdings by co-operative societies, though the latter has achieved remarkable success in the Punjab, where there are now about 700 co-operative consoli-

dation societies, and the area consolidated from 1921 to 1937 was about 800,000 acres. In U.P. there are now about 130 co-operative societies and the total area consolidated so far is about 56,000 bighas. The Punjab has deputed one Assistant Registrar and 15 Inspectors of co-operative societies and 180 Sub-Inspectors to this phase of the Co-operative Movement.

**Co-operative and Collective Farming.**—Ostrich provinces which would not re-examine the present credit situation of the Co-operative Movement nor face economic realism in the debt-ridden and credit-unworthy villages are leading the Co-operative Movement to further futility and disaster. To facilitate credit for the mass of small tenants who have now sunk below the credit line, it is essential to improve the scale of farming as the basis of credit by means of consolidation. It is probable that due to the fact that the majority of holdings have reached an uneconomical size the problem can only be solved by legislation making it compulsory for the cultivators to accept re-stripment when the cultivators of more than say, one-third of the cultivated area of the village agree to consolidation. Co-operative and Collective Farming Societies should also be organised which should pool bullocks, ploughs and seeds and undertake agricultural operations in common. It has been the practice of small cultivators to borrow seeds and bullocks from among themselves when they cannot obtain credit from the money-lender. As the latter has become shyer due to the recent debt relief legislation, the cultivator has curtailed his expenses for the preparation of the land and is getting a lower crop-yield, and here and there land also remains fallow. The situation can be successfully tackled by the establishment of the Collective Farming Society through which the small tenants may organise themselves for joint-ownership of cattle; joint cultivation and an equitable sharing of the produce in consolidated holdings according to the quota of labour from each family estimated by some pre-determined form or standard.

**Co-operation and the Land-less Class.**—But such collective farming societies would be even more necessary for the landless classes. In the U.P. agricultural labourers, numbering about 34 lakhs in 1931, had increased by almost 10 lakhs since 1921 at the expense of tenants who have either lost their holdings altogether or derived more income from labour than from cultivation. In Bihar, there are whole villages of entirely landless population, who eke out a scanty living on makai in favourable months and are unemployed and starve in lean months. The number of agricultural labourers here is 39.7 lakhs; these increased by 19 per cent between 1921 and 1931; and now form 19 per cent of the total agricul-

tural population. For every 25 non-cultivating landlords and tenants, there are about 725 agricultural labourers in Bihar, as compared with 200 labourers in the U.P. As the pressure of population on the soil increases and holdings become sub-divided and uneconomical, more tenants join the vast army of agricultural labourers or become earth-diggers and road-menders or leave for Bengal and Assam for domestic service, plantation and other labour. Many agricultural labourers who do not leave the village are reduced through indebtedness to the position of serfs, bound hand and foot for generations to the holdings where they toil and moil without having the wherewithal to pay off ancestral debts.

Public opinion should be so focussed and mobilised on this problem that all landlords and tenants declare on a fixed day that they set free all their bond servants, as it has recently been done for the Dublas in Bombay. Agricultural wages paid in kind should be standardized, and perhaps a minimum wage fixed at 5 annas per diem. It will be necessary also for Government to start a Re-settlement Department, as in Italy and the U.S.A., for opening out new lands in such sparsely populated districts as Kheri, Gonde, Bahraich in the U.P. or Champaran, Purnea and Bhagalpur in Bihar and also in Chota Nagpur for colonization by the discharged serfs. Co-operative Reclamation and Settlement Societies in the uncultivated wastes under the supervision of Government will be helpful. The experience of the co-operative colonization scheme at Gosaba in the Sundarbans should have its lessons for this province. Finally, Collective Farming Societies should be established in villages wherever the landless population forms more than a fifth of the total population, and these would obtain land on tenant lease from the Zamindars and parcel it out among the land-less classes for their joint cultivation. Co-operation may be used as an effective implement in stabilizing bankrupt tenants and agricultural labourers. In planned co-operation the reorganisation of primary societies is impossible without rehabilitating many members, who have now lost solvency and this necessitates organisation on a wide scale of collective farming for bringing up the latter to the line of normal credit.

**The Multiple Purpose Society: Enforcement of Co-operative Marketing.**—With the rehabilitation of the weaker members the primary societies will gain in strength. As their outstandings will be reduced by writing off a portion of their dues, the Central Banks will also have to reduce their dues from the Primary Societies *pro tanto*. Where the societies become too small after weeding out the undesirables, their size may be expanded to include as many well-to-do cultivators in the village as possible. Old members whose debts may be scaled down would require a reasonable period for the repay-

ment of their loans. It will be necessary in my view in the interest of ensuring prompt re-payment and avoiding chances of default to prevent private sale of crops by the members. The Co-operative Societies themselves will have to organise the storage and sale of the major crops. In other words, the mere credit society will have to transform itself into a Multiple Purposes Society, backed by legislation prohibiting cultivators from utilising the sale-proceeds of their produce without first paying off the societies' debts, subject of course to the prior claims of land revenue and rent. The English Agricultural Credits Act, 1928, includes a provision making it illegal for members to dispose off the crops before meeting the dues of the Co-operative Societies. In view of the assistance which cultivators and primary societies will obtain from the public exchequer the cultivators cannot reasonably object to their being compelled to dispose of crops only through the co-operative sales society.

In several agricultural countries in Europe crop finance or short-term credit from season to season is given on the basis of the bank or co-operative society having a lien on the crop, and warrants, backed by agricultural produce, have currency as simple commercial bills. In Egypt the agricultural credit establishment of the Government grants loans in cash or in kind in the form of seeds and fertilisers, such loans being secured on the crops themselves. Crops are sold through the agency of this establishment. I was delightfully surprised to find in the villages of France during a visit to their co-operative societies that hardly any crop worth anything is bought and sold privately, such being the hold of the co-operative organisation on the farmer's life. In Hungary the form of advances is known as 'green credit' i.e., credit granted against standing crops. In South Africa the law lays down that where in any area 75 per cent of the producers are co-operatively organised and handle 75 per cent of the product, the Minister may, at the request of such organisation, prescribe that all producers of that agricultural product within that area shall sell their product through the co-operative society or company.

In India, as in the case of compulsory restripment and consolidation, the percentage should be brought down to a much lower figure, say, 33 per cent of the producers, who may compel the rest to market their crops through the co-operative sales organisation. It will be expedient to run the marketing side of the co-operative society on a limited liability basis, introducing not merely well-to-do cultivators but also banias and money-lenders who have so far fought shy of co-operative societies because of the principle of unlimited liability. It will be to the interests of the bania, when co-operative marketing is forced

on the village, to build a warehouse or godown which may earn some rent from the co-operative society. On the other hand, the co-operative society will gain both from the bania's experience and investment of share capital. Some societies in the U.P. combine both the principles of limited and unlimited liability for different functions. In the rectification and re-organisation programme we should not make a fetish of the unlimited liability principle as we did in the past, but should organize the multiple purposes society on the limited liability principle retaining unlimited liability for the credit side of the business of the society.

In a system of organised warehouses where the cultivators' crops may be stored from season to season the co-operative society will lend money against warehouse receipts, and the banias who are members of the society may materially help the successful working of the warehouses due to their long and intimate connection with the grain markets of the country.

**Co-operation, an Offensive on All Fronts.**—As the standards of rural living, marketing and business improve, different agencies of rural uplift will develop, and this both in the single village as well as in the circles or groupings of villages, which become broader units of economic attack as represented by Central Banks, Marketing Boards and Union Panchayats. On the other hand, activities in the different fields of agriculture, co-operation, sanitation, education and so on act and react upon one another. That is essentially the meaning of rural planning.

Agriculture prospers through improvement of credit and marketing facilities by co-operation and of the technique of manuring, irrigation and farming practice by agricultural field demonstration. The advantages of cheap credit are nullified if farming be inefficient or if farmers waste money over social expenditure and litigation, or become chronic victims of malaria. Organised marketing fails if the farmers do not select their seeds nor consolidate their cropping and holdings. One of the striking instances of linking agricultural, marketing and credit improvements together is afforded by the Cane Growers' Co-operative Societies in the U.P., and Bihar. An all-sided programme, including improvement of seeds, manuring and agricultural implements, construction of roads, marketing and the building up of 'a common-good fund' has been characteristic of this co-operative effort. But surely such a concerted offensive has touched only the fringe of agriculture. All the major crops and not merely the cash crops should be brought under the scope of the Co-operative Multiple Purposes Society for agricultural production, credit and marketing. Co-operative education should also



embrace social reform. The excessive burden of uneconomical and superfluous cattle on tiny holdings is to-day a most serious handicap of small farming. No benefits from the improvement of food supply or distribution of good breeding bulls can accrue nor co-operative dairying succeed if farmers do not get rid of the present prejudice for the maintenance of useless, superfluous beasts. Finally, the social and economic aims of co-operation are vitiated if the peasantry multiply without restraint, outreaching not merely the out-turns of their fields but also the facilities of education and sanitation that may be provided. Thus planned co-operation must be an offensive on all fronts. Weakness or indefensibility in one sector will establish the foe in no time within the entire territory. The peasant's life with its inefficiency, simplicity, fear and ignorance is one undivided whole, and that rural programme succeeds which can improve him from all sides, economically, socially and morally.

## THE BOMBAY PROVINCIAL CO-OPERATIVE BANK

By

VAIKUNTH L. MEHTA,

*Managing Director*

It is now thirty-seven years since the Co-operative Movement—originally confined to credit—was first introduced in India. The promoters of the movement in the early days expected that if the rural credit societies were not able to raise locally, either from members or non-members, the funds required for being advanced to individual members, this need would to some extent be supplied by the neighbouring urban credit societies which might be expected to possess surplus funds. In the initial stages loans for small amounts were received from Government, free of interest for the first few years and bearing a very low rate of interest thereafter. But so early as 1906 the then Registrar of Co-operative Societies found it so difficult to meet the demand for funds that he induced a few friends to start in Bombay an urban co-operative credit society for the purpose of providing capital for rural societies in the districts. Sir Vithaldas D. Thackersey and Sir Lalubhai Samaldas then conceived the idea of starting a bank, the sole business of which would be to finance co-operative societies, and which should have as a prominent feature of its financial mechanism a scheme of debentures with interest thereon to be guaranteed by Government. After considerable discussion between the Government of Bombay, the Government of India and the Secretary of State for India, approval was accorded to the scheme and in accordance with a formal agreement between the promoters and the Government, the Bombay Central Co-operative Bank was registered on 11th October 1911 as an urban co-operative credit society under the Government of India Act X of 1904.

The Bank's working is governed by its own bye-laws and the agreement with Government, subject to the provisions of the Co-operative Societies Act and the rules framed thereunder. The Bank commenced operations by taking over the loans allowed to societies in various districts by the Bombay Urban Co-operative Credit Society and also the Tagavi loans of Government (under the Agriculturists Loans Act) in a group of 29 villages in the Nira Canal tract. The area of operations of the Bank extended all over the Presidency proper; Sind which then had a separate Co-operative Department was not included within its jurisdic-

tion. Soon after it was brought into existence attempts were made to start District Central Banks; and some of the urban societies such as those at Surat, Broach and Ahmednagar, were gradually transformed into central banks for their respective districts. The desire of various districts to have local banks of their own got a stimulus as a consequence of the recommendations of the (MacLagan) Committee on Co-operation in India, and more local banks came to be started on the lines laid down by that Committee. At the same time, the Bombay Central Bank utilized as its responsible local agencies the Guaranteeing Unions of Primary societies which too came into existence in response to the recommendations of the MacLagan Committee. It was not until 1920 that the policy was laid down that there should be only one financing agency in any one tract and steps were taken thereafter to prevent overlapping of operations and to delimit the sphere of influence of the Bombay Central Bank in its direct relations with primary agricultural societies. The Bank's business in areas served by District Central Banks was transferred to these banks wherever the latter agreed to take it over. In harmony with the change in its status the name of the Bank was altered to the 'Bombay Provincial Co-operative Bank' in 1924, to denote that the Bank's primary function would be to serve as an apex bank balancing the surpluses and deficiencies in the resources of its affiliated banks. Nevertheless, the Bank continues to have direct relations with primary societies in a few districts where its business with them has not yet been taken over by the existing central banks for various reasons, either because the areas are very backward or the frozen amounts locked up are very large or local banks cannot be organized to take over the operations. The Bank has recently investigated the possibility of converting some of the branches into banking unions as recommended in the Reorganization Report submitted to the Government of Bombay by Mr. M. D. Bhansali, Registrar of Co-operative Societies and the writer of this article.

From the outset it was realized that where the Bank transacted business on any considerable scale, it should establish some link with societies in the area by opening a branch; and in pursuance of this policy a branch was opened at Baramati in the Poona District, when the Bank took over the Government's loan operations in that tract. The next branch to be opened was at Kopergaon in the Ahmednagar District to serve the group of societies for sugar-cane growers on the Godavari Canal which the Co-operative Department had organized. After 1920 the Bank definitely came to the conclusion that in districts where it had to continue business relations with primary agricultural credit societies, it should establish branches so as to be in close and constant touch with the societies and their members. Accordingly, the number of branches grew gradually and the opening of a branch at the district headquarters was

usually followed by the provision of similar facilities in the taluka towns of the same district. Hence the increase in the number of branches indicates not so much the expansion of business as the extension of facilities to outlying rural centres where there are compact groups of societies. The only primary societies financed by the Bank which still remain to be served by local branches are the few scattered societies in the Ratnagiri and Kolaba districts. The Bank has no direct business relations with primary societies in the whole of the Karnatak and in the districts of East Khandesh, Surat and Broach (excluding the Panch Mahals division). Where the volume of work is small, a sub-branch is opened, which may not be open throughout the week and where all types of banking operations are not conducted. The number of branches at the close of the year 1940 was 31 distributed as under :—

<i>District.</i>	<i>Branches.</i>	<i>Sub-Branches.</i>
Satara	8	
West Khandesh	8	
Ahmednagar	4	2
Nasik	3	3
Thana	3	
Panch Mahals	2	2
Poona	1	
Sholapur	1	
Ahmedabad	1	
	—	—
	31	7

In some districts arrangements are made at the request of the local societies and the Branch Committees for the receipt of repayments and disbursement of loans in central villages. The number of such approved pay-centres is three. Attached to each branch is a Branch Committee which is entrusted with various duties and powers including the power to sanction loans and credits to societies subject to certain restrictions.

At the outset, the entire body of the Bank's members were individuals, with the single exception of the Nagar Central Bank. Before long, however, the Directors appreciated the desirability of getting co-operative societies to become members, and special facilities were provided for the purchase of shares from existing share-holders for societies which were anxious to become members. Though a few primary agricultural

societies did take advantage of this offer, in the early days it was mainly the Central and Urban banks that purchased the shares of the Bank to any appreciable extent. Since 1925, with the enactment of the Bombay Co-operative Societies Act XV of 1925, it has been made obligatory for all borrowing societies to become members and at present out of a total of 3267 members, 2005 are co-operative societies. The share-holding of co-operative societies, including central and urban banks amounts to Rs. 6,76,150 out of a total of Rs. 12,99,850. Although the original bye-laws allowed voting to be based on the number of shares held, under the law now in force in Bombay every member, whatever his holding, exercises only one vote. In the original Board of Directors there were included two Directors connected with rural interests, one of them a chairman of an agricultural credit society on the Nira Canal. Later on, representative co-operators from various parts of the Province were taken on the Board, and in 1920 it was decided that Central Banks should be represented on the Board by four Directors. In 1924, it was further decided that this representation should be by direct election and that in addition there should be two representatives of agricultural societies financed by the Bank and one of urban societies financed by it. This scheme underwent a slight modification in 1932. There is a Board of fifteen members at present (including the Managing Director) of whom three represent central banks, two urban banks, three agricultural societies (the election being conducted through the Branch Committees) and seven individual shareholders elected at the General Meeting.

That the Bank has been able to serve as a balancing centre for the Co-operative Movement in the Province is evident from the fact that out of a total sum of Rs. 1,85,03,296 held by it in deposit, so large a portion as Rs. 94,46,720 is received from co-operative institutions, mainly Central and Urban banks. On the fixed deposits of co-operative institutions a slightly higher rate of interest is offered than to individuals. That rate, it may be observed, is regulated from time to time according to the conditions of the money market, but is, however, the same as is quoted by the best banks in Bombay on their fixed deposits. Another important class of depositors are public bodies—local boards, municipalities and school boards—which deposit substantial sums with branches of the Bank. Deposits from these can be accepted without limit as to the amount, in accordance with Government Resolution No. 140-A of 3rd August 1938. The Bank had until 1928 cash credit arrangements with the Imperial Bank of India but those were stopped in that year as the legal advisers of the Imperial Bank of India held that that Bank would not have adequate security for its lendings in virtue of the terms of the debenture trust deed of the

Bank. The Government were approached in the matter and it has been decided that as cover against the floating charge of the debenture holders, the Bank should deposit with the Finance Secretary of the Government of Bombay, securities equivalent in value to the amount of the debentures issued by the Bank. This deposit of securities had now been made. The Bank has cash credit arrangements with the Reserve Bank of India, the Imperial Bank of India and the Bank of India Ltd., against Government securities. In addition it obtains call deposits or loans from scheduled banks at current rates of interest. Arrangements for securing accommodation from the Reserve Bank of India against co-operative paper as provided in the Reserve Bank of India Act are under negotiation.

The Government of Bombay have authorized the Bank to raise debentures to the extent of Rs. 20,00,000 on which interest is guaranteed by the Secretary of State for India in Council until the debentures are redeemed. The debentures bear interest at 4 per cent. and have a maturity of 28 to 41 years. A sinking fund has been built up at the rate of one to two per cent on the amount outstanding by way of debentures, the contribution varying according to the average rate charged by the Bank on its lendings. This fund is invested separately in approved trustee securities and is held in the names of the Trustees. Debentures to the extent of Rs. 7,80,000 were sold before 1915, but after the outbreak of the War and the subsequent rise that took place in rates of interest in the money market it was not found possible to place any more debentures on the market. In 1926 when proposals for the creation of a land mortgage organization were placed before Government they called upon the Bank to function temporarily as a central land mortgage bank financing the operations by raising additional debentures. Government themselves agreed to subscribe to debentures of the value of Rs. 5 lakhs. Debentures of the value of Rs. 2 lakhs were taken up by Government but the remaining three lakhs were sold to private parties and co-operative institutions, as in 1932-33 Government expressed their inability to invest in the debentures at the rate at which the Bank was able to market them elsewhere.

Immediately after the starting of the Bombay Provincial Co-operative Land Mortgage Bank, Ltd., negotiations were opened for the transfer of the Land Mortgage Department maintained by this Bank, but the final transfer has not yet been completed. The Government have kindly consented to consider the question of reimbursing the Bank for the loss incurred on the creation of the land mortgage department on the submission of the particulars of the financial position of the land mortgage department after the loan adjustments of the three primary land mortgage banks have been completed.

At the request of Government, the Bank agreed in 1922 to serve as an agency for the distribution of loans under the Land Improvement Loans Act. Government issued a special set of rules in that year providing for the grant of an allotment to the Bank to be disbursed by it to co-operative societies for works of land improvement, finance being made available by the Bank through Central Banks in areas served by them. The rate of interest for the ultimate borrowers was to be the same as they would pay direct to Government in case they borrowed from the local Revenue authorities. The Bank agreed to charge only a margin of  $\frac{1}{4}$  per cent. for its management expenses in case of advances to Central Banks and  $\frac{1}{2}$  per cent in case of loans to primary societies. Under the Rules, loans were sanctioned jointly by the Bank and the Registrar and preference was given to co-operative schemes. The total allotment drawn from Government were Rs. 9,80,300 but these allotments have been stopped since 1936 mainly on the ground that the Bank was in a position to give petty loans for land improvement out of its own resources while large loans could be had from land mortgage banks. Of the sums borrowed from Government, the amount now payable to Government is Rs. 32,400 against which Rs. 56,430 is outstanding from societies and central banks, excluding outstandings from societies and banks in liquidation.

The original bye-laws of the Bank provided for its interesting itself in the work of selling on commission agricultural produce on behalf of members of societies and supplying to them agricultural requisites such as manures, fertilizers and improved implements. This business was first undertaken at Baramati and Nira on the Nira Canal through a shop run jointly on behalf of societies and the Bank. Similar arrangements were later on introduced at Kopergaon on the Godavari Canal and at Belapur on the Pravara Canal. The Bank's experience of this work led it to organize shops for marketing and supply at Kolhapur (for societies in the Walva Taluka in Satara District), at Kurduwadi and Akluj in Sholapur, at Malegaon in Nasik and at Dhulia, Dondaicha and Shirpur in the West Khandesh District. The shops at all the centres after having worked successfully for a number of years have been transferred to newly registered co-operative purchase and sale unions or societies, there remaining with the Bank only one shop at Akluj. The Bank has reopened its shop at Malegaon due to temporary suspension of business by the sale society there. As a part of the programme of marketing organization, shops were opened in the season of 1940-41 at Mandgaon and Igatpur (Dist. Nasik) and at Sant Road (District Broach and Panch Mahals). Through the shops efforts have been made to introduce new varieties of seeds, manures, fertilizers and implements including power driven cane-crushing

plants. At those shops it became necessary for the Bank to make advances against agricultural produce pending sale or delivery or against requisites sent for disposal on consignment account and the bye-laws of the Bank were modified to permit this being done. Though power is assumed to deal direct with individuals who are members of the Bank, advantage is taken of this facility only where no other local organization such as an urban bank or purchase and sale society can take up the work. The minimum amount that can be advanced is fixed at a figure higher than the maximum amount that can be sanctioned by an urban bank or the sale society operating in the area.

For the convenience of members of societies special arrangements have been devised, in consultation with the Registrar, to grant advances to such members on the security of their gold and silver ornaments. The procedure of applying through societies and producing certificates from office-bearers was felt as irksome by members. To meet these difficulties, the bye-laws of the Bank were suitably amended to facilitate such operations. A new type of B class members, drawn from persons who are members of affiliated societies, has been created to whom advances against agricultural produce and goods can be made by the Bank direct. The number of such members is at present 40. Advances against valuables can also be made to members of the Bank itself. Accommodation on the security of manufactured industrial products or raw materials can be allowed to industrial co-operative societies and assistance given in the purchase of raw materials or the sale of finished products. At present financial assistance of this type is granted to various district co-operative industrial associations.

All the district Central Banks in the Province are affiliated to the Provincial Bank although at present only one bank borrows from it against co-operative paper. All the affiliated banks use the Provincial Bank as their balancing centre and overdraft accommodation is allowed to them against Government securities or fixed deposits on special terms. Similar facilities are allowed to urban banks which wish to carry on inland exchange banking operations with Bombay. Thus the Provincial Bank indirectly provides fluid resources for the movement as a whole. The Bank also functions as a clearing house for the affiliated banks all over the Province and special arrangements have been devised for the discounting and collection of cheques drawn on co-operative banks. Through the medium of current accounts at the Bank, co-operative banks in various centres are able to conduct a fairly substantial volume of remittance business arranging for the transfer of funds from one centre to another. Recently the Bank has entered into arrangements with the Bankers' Clearing House for the clearing, through its



agency, of cheques drawn on approved co-operative banks in the City. The Bank was admitted to the membership of the Clearing House in the year 1930 and is among the leading members in respect of the number of cheques cleared through its agency. It may be added that the Co-operative Department with the approval of Government took special steps in 1922 to promote the development of the banking side of the activities of the Co-operative Movement by permitting the opening of accounts and allowing the use of cheques, drafts, hundies and other instruments of credit. Though in the earlier years banks used to take some advantage of the facility of free remittance through the Treasury granted by Government, in accordance with the new orders issued by the Reserve Bank of India no free transfers of funds are now permitted to co-operative societies.

Of the total working capital of the Bank, amounting to Rs. 2,87,37,170 at the close of the year 1940, investments in Government and other authorized securities amounted to Rs. 81,12,964. Short term deposits are kept with joint stock banks and other Provincial Co-operative Banks approved for the purpose by Government. The provision of liquid resources is much in excess of the figure of 40 per cent of liabilities at call prescribed by the Agreement with Government, and ordinarily the Bank has always been troubled with the problem of idle balance for which it cannot find suitable employment within the Co-operative Movement. The amount of advances including the sums involved in overdrafts and cash credits to banks and loans against produce and valuables was Rs. 87,60,966. The bulk of the advances are to affiliated primary agricultural societies which number 1283. It may be noted here that while the standard of repayments was high prior to 1920—except since 1927 in the Deccan Canal areas—with the fall that occurred in commodity prices the volume of overdue loans has grown considerably. In spite of the best efforts on the part of the Bank the percentage of overdues still remains high. In the Canal areas there was a heavy fall in the price of gul (raw sugar) in 1927, and this combined with a few local factors brought about a very difficult situation even earlier.

It may be noted here that in the early days Government assisted the Bank by placing at its disposal a staff of Special Mamlatdars, originally paid entirely by Government and later on partly by Government and partly by the Bank. In course of time, and particularly since 1920, the Bank began engaging its own staff but the services of one Special Mamlatdar were retained till recently for the group of societies for Bhils in the Dohad Taluka. He has now been replaced by a more junior member of the staff of the Co-operative Department. These societies are intended for the aboriginal community of Bhils and the Supervising

Officer working under the Co-operative Department attends to their supervision and control. Similar arrangements have been made for co-operative societies for Bhils in the Taloda Taluka and neighbouring parts of the West Khandesh District. In all other areas the Bank has its own staff for inspection, the total strength of the inspecting staff being 46. The duties of the Inspectors are to scrutinize the applications for loans and credits and to check the statements of normal credits on the basis of which finance is required, to verify the statements of the landed assets of members, to stimulate recoveries and generally to inspect the working of affiliated societies. Branches in different districts are grouped together conveniently in seven circles and one Senior Inspector is placed in charge of each circle. Both the Managing Director and the Manager visit branches and important groups of societies. They or the Directors of the Bank also attend the general meetings held once a year at branches at which are considered reports of working and matters of common interest.

Various measures have been taken by the Bank within the limits of its own capacity to meet the situation created by the Depression. One of the most prominent of these is the adoption of a policy of reviving and continuing the business of societies even with growing overdues by the promise of fresh finance upto the limit of repayments. Every inducement is held out to members of societies to repay to the best of their ability, in consideration of which fresh finance is promptly made available against the repayments. Due care is taken to see that the burden of debt instead of increasing is gradually reduced from year to year. Extensions for the payment of the balance of the loans are allowed where repayments are made on this basis. During the last few years, special steps have been taken for the rectification of the mis-managed or defaulting societies. With the deterioration of the agrarian situation, a number of work societies have had to be taken into liquidation. At present, the number of societies in liquidation, which have outstanding loans payable to the Bank, is 100, and the amount payable by them is Rs. 20,76,495. To expedite the process of liquidation, which was very dilatory, Government have approved of the appointment of the Bank as liquidator. The work is distributed by the Bank among its inspecting staff.

In the year 1936, the rate of interest for first class primary agricultural societies was reduced to 6 per cent the maximum interest charged being 7 per cent. In addition, the Bank has fallen in with the scheme adumbrated by the Registrar from time to time to permit societies to give a special rebate to their members. Owing to the peculiar condition of canal societies the rate of interest for old outstandings was substantially reduced in the year 1935 with a further reduction, extend-

ing to full remission of interest, on a graduated scale based on repayments. The percentage of repayments necessary for eligibility for further rebate in the case of weak canal societies was so brought down that with payment of full interest at the ordinary rate the society could obtain full remission of interest, the repayment having then to be adjusted to principal account. Similar concessions have now been allowed to weak and stagnant societies in other areas. Reduction in the rate of interest in financially weak societies is also considered on the merits of individual cases. Rebate in interest of long term loans to the extent of 14 to 16 per cent is also allowed.

The Bank provides informally arrangements for giving practical training in co-operative banking to the office and field staff of central and urban banks. Refresher courses have been arranged from time to time for the staff of the Bank itself as well as of other banks. Members of the staff are encouraged by the grant of bonuses to go in for examinations of the Institute of Bankers.

The Bank's Agreement with Government prescribes that after the Bank has paid to its shareholders a dividend at the rate of 6 per cent. the surplus profits, if any, have to be shared at the end of every three years equally between the members and borrowing societies. Contributions to the Reserve Fund too are to rank as payment to shareholders. The borrowing societies get a rebate out of the share of the profits on the basis of the interest paid by them to the Bank. Since the formation of the Bank upto the year 1930 rebates amounting in the aggregate to Rs. 1,87,900 were allowed to borrowing societies having been equivalent in some trienniums to a reduction by over one-half per cent in the rate of interest. With the reduction in the rate of dividend below 6 per cent, the triennial rebates payable under the agreement were discontinued but the Bank paid instead special rebates to deserving borrowing societies amounting to Rs. 46,547 including Rs. 10,000 paid on the occasion of the Bank's Silver Jubilee. It further paid by way of encouragement to well-managed societies rewards in kind amounting to Rs. 2,300 approximately. The rate of dividend paid by the Bank, which was 6 per cent since the commencement and slightly higher for 10 years, had to be brought down to 3½ per cent. The reasons for the reduction are :—

- (1) accumulation of surplus balances for which remunerative investment could not be secured ;
- (2) increased provision against doubtful debts ;
- (3) growth of unpaid interest, necessitating provision against the same out of the profits ;

- (4) loss of interest on balances due from societies in liquidation;
- (5) increased provision for remitting or reducing the interest charged.

The Bank completed 25 years of its working on 11th October 1936, but owing to the unfavourable agricultural season in several parts of the Presidency, the Board did not deem it proper to incur expenditure on any formal observance of the Bank's Silver Jubilee. To mark the occasion in a suitable manner, a special Jubilee Bonus was paid to members as a further dividend at 1 per cent per annum in addition to the ordinary dividend paid at 5 per cent and special Silver Jubilee Rebate to societies and special Silver Jubilee bonus to the staff were given.

The Bank has interested itself in the holding of periodical conferences at which representatives of the central financing agencies and of urban banks meet together for discussion of matters of common interest. These activities and the interest shown in the discussion of matters of common interest led to proposals being put forward for a co-ordinating agency for the financial side of the Co-operative Movement in the Province. A body called the Bombay Co-operative Banks' Association was started in the year 1939 and the Bank is actively associated with its working. The Bank also took a prominent part in the formation of the Indian Provincial Co-operative Banks' Association of which it continues to be a member.

## THE SIND PROVINCIAL CO-OPERATIVE BANK

By

RAO BAHADUR SHIVRATAN G. MOHATTA,  
*Chairman.*

Amongst the Provincial Co-operative Banks in India, the Sind Provincial Co-operative Bank occupies a unique position inasmuch as it is the only Provincial Bank in India that directly finances the agricultural societies in the Province, the District Central Co-operative Banks in Sind having been amalgamated with it and now working as its branches. The history of this Bank may be divided into three periods:—(1) pre-amalgamation period from 1919 to 1934; (2) amalgamation period from 1934 to 1936 and (3) the crisis of 1937 and after. We shall briefly describe the working of the Bank during these three periods.

(1) **Pre-amalgamation period.**—Uptil 1919 there was no central agency in Sind to provide finance for the co-operative agricultural societies in Sind, then numbering about 125. It was through the efforts of the late Khan Bahadur Azimkhan, the then Assistant Registrar, Co-operative Societies in Sind, and with the active co-operation of some of the most prominent leaders of Sind such as Seth Gulamali Chagla, Messrs. Jamshed Nusserwanji Mehta and Jairamdas Doulatram, and the late Messrs. Gulam Md. Bhurgari, Harchandrai Vishindas, C.I.E. and Principal S. C. Shahani that this Bank was registered in 1919 under the name of Sind Central Co-operative Bank, Ltd. to serve as a central financing agency for the co-operative societies in the province. With the establishment of the central financing agency and the efforts of the official and non-official workers, the Co-operative Movement in Sind gathered strength. By March 1924 the number of societies increased to 550 and the working capital of the Sind Central Co-operative Bank increased to over Rs. 14 lakhs, as against Rs. 1½ lakhs in 1919-20. By this time the District Central Co-operative banks in different districts of Sind were established, while the Sind Central Co-operative Bank was recognized as the apex bank in Sind. By the end of 1933 the number of societies affiliated to the Sind Central Co-operative Bank and the District Central Co-operative Banks in Sind rose to over 1,200. The working capital of the Bank rose to over Rs. half a crore. During this period of fourteen years the Bank had made steady progress, built up good reserves and from its very inception paid dividend to its shareholders, the rate of dividend for 1932-33 being 5½ per cent.

(2) **Amalgamation Period.**—The amalgamation of the District Central Co-operative Banks in Sind with the Sind Central Co-operative Bank Ltd. was completed in two stages. The three District Central Co-operative Banks of Lower Sind at Hyderabad, Nawabshah and Mirpurkhas were amalgamated as from 1st April 1934 and the name of the amalgamated Bank was changed to Sind Provincial Co-operative Bank Ltd. At the same time the remaining two Upper Sind District Central Banks at Sukkur and Larkana were amalgamated under the name of Upper Sind Central Co-operative Bank Ltd. One year later the Upper Sind Central Co-operative Bank was also amalgamated with the Sind Provincial Co-operative Bank Ltd. thereby completing the amalgamation process. As from 1st July 1935 the Bank worked as a full fledged Sind Provincial Co-operative Bank, Ltd. with Head office at Karachi and branches at Hyderabad, Nawabshah, Mirpurkhas, Sukkur and Larkana. The first amalgamation of the Lower Sind District Central Co-operative Banks with the Sind Central Co-operative Bank led to a strong agitation created by interested parties and resulted in considerable withdrawal of deposits both from the Sind Central Co-operative Bank and the Lower Sind District Central Co-operative Bank. After the amalgamation, however, the public confidence was not only restored but the Sind Provincial Co-operative Bank began to grow more and more strong. The Board of Directors of the Bank was expanded from eleven Directors to twenty-three to include two representatives of each of the original District Central Co-operative Banks. In October 1936, a branch office was opened at Dadu, the head-quarters of the newly constituted Dadu district. The Bank had also two local branches at Karachi. Early in 1937 the Bank with its Head Office at Karachi, six branches in district towns in Sind and two local branches, had a working capital of over Rs. one crore and twenty lakhs.

(3) **The Crisis of 1937.**—By the end of 1936 there arose a controversy between the Registrar, Co-operative Societies in Sind, and the then Chairman of the Bank over certain matters of policy, with the result that there was a split amongst the Directors of the Bank. While the controversy raged the public deposits continued to be withdrawn so that between May 1937 and January 1938 no less than Rs. 40 lakhs were withdrawn from the Bank. The inevitable crisis was however averted by the Provincial Government coming to the help of the Bank with a loan of Rs. 8 lakhs and other measures to restore public confidence. In their communique dated 25th January 1938 the Government of Sind decided to take the following measures:—

- (a) to invite some person with wide experience of banking and of the Co-operative Movement to examine the affairs of the

Bank and to advise as to the manner in which its organisation and working could be improved ;

- (b) to appoint, for as long as may be found necessary, an experienced officer of the Indian Civil Service as Registrar of Co-operative Societies;
- (c) to advise the Bank to take steps to provide for the constitution of a Committee of Management in supersession of the Board of Directors, the members of the Committee to be nominated by Government and adequately to represent the interests and command the confidence of both lenders and borrowers.

Accordingly, in February 1938 the Government invited Mr. V. L. Mehta, Managing Director of the Bombay Provincial Co-operative Bank, Ltd., to examine and report on the organization and working of the Sind Provincial Co-operative Bank Ltd. An experienced I.C.S. officer was immediately appointed as Registrar of Co-operative Societies in Sind and after the Bank had amended its byelaws, as desired by the Government, a committee of nine members was nominated by Government in April 1938 in place of the then Board of Directors. In addition to these measures the Provincial Government by a communique assured the public that Government would be prepared to guarantee any issue of debentures that may be necessary and pending such issue would be prepared to give further financial help to the Bank, if and when necessary.

In his report to Government on the organization and working of the Bank, Mr. V. L. Mehta made several recommendations of which the most important were :—

- (a) Detailed examination of debts due from members of agricultural societies with a view to ascertain the exact financial position of the societies, to write off bad debts, allow instalments for the frozen debts and scale down the existing debts to the level of repaying capacity of the members. To enable the Provincial Bank to allow long term instalments to agricultural societies which were necessary under prevailing circumstances, the Provincial Government should guarantee principal and interest of debentures to be floated by the Bank to make available long term capital.
- (b) Changes in the constitution of the Board of Directors at Head Office and at Branches and amendment of bank's byelaws to give effect to the same.
- (c) Formation of a Provincial Supervision Board for co-operative societies to more effectively co-ordinate and control the work of the field staff engaged in the recovery of old outstandings.

All the three major recommendations and most of the other recommendations were approved by Government and have been given effect to. To allow the nominated Committee sufficient time to prepare the necessary ground work the term of the Committee, which was to expire in April 1940, was extended upto September 1941. The work of the examination of the debts of agricultural societies, fixation of instalments against individual borrowers and concessions in interest and scaling down of debts of deserving members is now nearing completion. The Bank's byelaws providing for the future constitution of the Board of Directors have since been amended as desired by the Government and the Provincial Supervision Board with the Registrar of Co-operative Societies, Sind, as its ex-officio Chairman has been formed. These measures, together with several other reforms since introduced, have now placed the Bank on a firm footing. The crisis, in a way, helped the Bank which is now in a far better position than ever before. The nominated Committee has been doing good team work. The two I.C.S. Registrars, Messrs L. T. Gholap and G. V. Bedekar, have done their utmost to place the whole movement on a sound footing. The working of the Provincial Bank, the relationship of the agricultural societies to it, and the process of vitalisation of the primary societies have all been reorganised and given proper shape. All this would not have been possible but for the active financial and moral support of the Provincial Government during the most critical period in the Bank's history.

The Bank has during this short period of three years practically regained all the lost ground. The deposits have nearly touched the pre-crisis figure. The Bank has heavy surplus funds with the result that it has been able to reduce the interest rates to  $\frac{3}{4}$  per cent for current deposits,  $1\frac{1}{2}$  per cent for savings deposits and 2 per cent for 12 months deposits. The agricultural societies are being re-financed for current agricultural operations for which detailed rules have been framed. It is intended to start co-operative sale and marketing societies, in which work the new Registrar Mr. Yar Mahomed A. Memon is taking a keen interest.

The share capital and total reserves of the Bank are Rs. 8,89,000 and Rs. 10,45,000 respectively. The Bank has its own buildings at Karachi, Hyderabad and Larkana. The Bank transacts every kind of banking business on co-operative lines and serves both the rural and the urban population. It has a trained and qualified staff. The Committee of Management consists of experienced business men and landlords of long standing and wide influence.

We are sure the bank will continue to maintain its present progress and will be able to extend its activities and usefulness in course of time.



## THE PUNJAB PROVINCIAL CO-OPERATIVE BANK

By

MULRAJ BHAI, M.A.,

*Manager.*

**Formation.**—In April, 1921 Mr. H. Calvert, I.C.S., the Registrar of Co-operative Societies, Punjab, addressed a letter to Local Government on the subject of the constitution of a purely co-operative Apex Bank exclusively under the control of *bona-fide* co-operators. With that letter he submitted a scheme for the approval of the Government. After describing the main features of the apex banks existing at the time in Burma, Madras, and Bombay and touching on the difficulties of converting one of the larger central banks into a Provincial Bank mostly because the individual members could not be persuaded to accept the model by-laws, he propounded a scheme on the following lines:—

(1) Shares to be sold to the registered societies only. (2) The value of each share to be Rs. 100|- (or Rs. 50|-). (3) Each Society to take one share at least, and to pay ten rupees for every year of its life. (4) So long as any debentures were outstanding, no dividend would be paid, all profits would go to a Sinking Fund to redeem debentures. (5) Debentures may be issued as required up to an amount not exceeding 3 times the paid-up capital, such debentures to be redeemed at the expiry of 16 years, and to be redeemable after ten years. (6) The Local Government to guarantee interest on their debentures at the rate of six per cent. (7) These debentures to be made Trustee Securities by an amendment of the Indian Trusts Act. (8) When all the debentures have been redeemed the sum thus required by the bank to be divided as share capital in proportion to shares held. (9) Thereafter, shares would carry dividend at the maximum rate of one per cent over the normal rate at which the bank was attracting deposits. (10) The Provincial Bank to be allowed to receive deposits for fixed periods, provided that 40 per cent of such money was held in Government Securities, or, in cash or in other approved liquid form, at call. (11) The Sinking Fund formed from the profits of the Bank to be invested in such securities as the Local Government may direct and held under the control of such Government. (12) The Local Government to be empowered to inspect and audit, and if default in payment of interest on debentures were made

for 21 days, to take possession of the business and assets. (13) Under the scheme, it would not be necessary for the Bank to put aside any reserve until the debentures were paid off, as the whole of the profits would be held in hand.

The Local Government sought the approval of the Government of India which agreed as to the desirability of establishing a provincial bank in the province and which suggested to the former to obtain by resolution the approval of the Local Legislature to the course which it had proposed to follow. Accordingly the Punjab Legislative Council passed the following resolution on the 20th October, 1923:—

“That the Council recommends to the Local Government

- (a) that a Provincial Co-operative Bank should be established;
- (b) that the Local Government should agree to guarantee interest at six per cent on debentures to be issued to a total sum of Rs. 20 lakhs and for a period not exceeding 25 years from the date of issue thereof, provided that the Bank enters into an agreement with the Local Government to redeem the debentures within the period named.”

The next step was registration of the Bank on December 16, 1924 by Mr. Calvert himself, although in view of the agreement which was to become the basis of guarantee for the debentures he took special care to obtain the previous approval of the Government (Ministry of Agriculture) to the draft by-laws, proposed by him before setting his hand to the certificate.

The Bank commenced business formally on February 1, 1925 with a capital of Rs. 1,11,000 but remained practically a book bank for the first eight months, settling down and going through the preliminaries with the assistance of its bankers *viz.*, the Imperial Bank of India and the Lahore Central Co-operative Bank. On 17th August, 1926 the Bank for the first time invited the Central Banks and Banking Unions which were then 106 in number and several of whom had already grown up to a respectable size, to bank with it. It would be of interest to reproduce a part of the Circular here:—

“The Policy of the Punjab Provincial Co-operative Bank, as laid down by Mr. Calvert and provisionally approved by the Directors, is that the Bank shall not ordinarily take fixed deposits from Central Banks and Unions of the Punjab, but after investing in Government Securities the money derived from its shares and establishing an overdraft account in the Imperial Bank of India, on the basis of this investment, shall take the surplus funds of Central Banks and Unions at a

comparatively low rate of interest, either in current account repayable on demand, or repayable at very short notice. The overdraft account in the Imperial Bank of India now amounts to a little over Rs. 1,00,000 and the Provincial Bank is prepared to accept experimentally any surplus funds which Central Banks and Unions have in hand up to a limit (for the time being) of Rs. 50,000 from each bank. The rate of interest paid will be four per cent and cannot be higher, since the Provincial Bank has to hold this money at all times available, and cannot distribute it in the form of loans for a fixed term to other Central Banks."

**Inter-lending.**—Another six months passed. In March 1926 the Bank offered to accept re-deposits of surplus funds from Central Banks for fixed periods in addition to current accounts with which it had started. But inter-bank loans which were regulated by the Registrar himself before the formation of the Provincial Bank continued as before. The only difference was that now these transactions were arranged and controlled by the Provincial Bank itself. When an application for a loan came to the Provincial Bank from a Central Bank or Union, the Provincial Bank being aware of these surpluses which were lying with the moribund Central Banks themselves or in its own possession as deposits made by other Central Banks, the first opportunity of lending their surplus naturally fell to these depositing banks. This went on for three years. With the growth of surpluses in most of the banks the complaints of non-investment of these funds became very insistent.

Ultimately it became extremely difficult for the Provincial Bank to reconcile the conflicting claims of the surplus banks. Some got a larger share in the investment of their funds simply because they clamoured most. Sir Malcolm Darling (then Mr. Darling), who happened to be Registrar between 1927 and 1929, found further support in his determination to put a stop to the evils of the system. He issued a circular on 14th February, 1929 withdrawing his sanction for future lending by one Central Bank to another in any shape whatsoever and making it obligatory on the Provincial Bank to accept without limit surpluses of the central institutions affiliated to it. This made the Provincial Bank a real balancing centre in the Province.

**Debentures.**—To the promoters it was the *raison d'être* of the Bank to find finance for mortgage banking in this Province. In 1926 there were 7 co-operative mortgage banks which had been granted loans for periods ranging between 5 to 10 years from 'Provincial Funds' placed at the disposal of the Registrar of C. S. to the extent of 2 to 4 lakhs of rupees every year. The Provincial Bank decided upon taking over these loans from the Local Government with the proceeds of a debenture

ture issue secured on its own assets. With this end in view two documents were executed on the 13th of August 1926 viz. (1) Articles of Agreement entered into between the Local Government and the Bank, and (2) Debenture Trust Deed between the Trustees on the one hand and the Bank on the other.

**Terms of the Articles of Agreement.**—Shorn of technicalities, the main terms of the Agreement were: (1) that the Bank shall have power to raise moneys not exceeding 3 times the amount of the paid-up capital of the Bank for the time being subject to a maximum of Rs. 20 lakhs by the issue of debentures charged upon the undertaking and general assets of the Bank; (2) that the Bank shall establish a Sinking Fund in order to provide for the repayment and redemption of debentures and to the credit of such fund there shall be paid at the close of each financial year profits that may have accrued to the Bank during such year; (3) that no dividend shall be payable to the shareholders of the Bank so long as any of the debentures shall remain unredeemed; (4) that the Secretary of State through the Local Government of the Punjab shall guarantee the payment of interest up to but not exceeding 6 per cent per annum during a period of 25 years or until such debentures shall be wholly paid off or redeemed whichever shall first happen but shall not guarantee the payment or redemption of any part of the principal money secured by such debentures.

**Terms and conditions of the Trust Deed.**—Similarly the chief provisions of the Trust Deed were:

(1) that the Sinking Fund and its investment shall remain under the control of 2 trustees one of whom shall be a nominee of the Government and (2) that the moneys secured by the Trust Deed shall be a first mortgage over and charge on the mortgaged premises and shall take precedence over all other moneys which may thereafter be borrowed by the Bank.

On 1st November 1926 the Bank whose owned funds were barely Rs. 4½ lakhs ventured to come out in the money market for sale of its series of debentures (which proved to be also the last) at par in a single denomination of Rs. 100. The rate of interest offered was 6% which according to the rate of interest then prevailing in the country and in view of the Government Guarantee being confined to interest alone, was considered to be rather low by some of the best financiers of the Province. The response was quick and unexpected. The Bharat Insurance Co., and the Peoples' Bank (both were ventures of the late Hon'ble L. Harkishen Lal who 3 years before as Minister in charge of Co-operation had piloted the resolution for the establishment of the

Bank through the Local Council) applied for Rs. one lakh each. Two applications for Rupees 20,000 came from the Bombay Province, one from U. P. and one from Ajmer. The rest were drawn from the professional upper classes of the Punjab. Being oversubscribed an allotment @ 80% was made to big applications. The proceeds were wholly lent to Mortgage Banks @ 6¼%. But the status of the debentures in spite of best efforts of the Bank could not be raised to that of the trustee securities. The floating charge given away to the debenture-holders on the property of the Bank with the additional stipulation that the Bank is not to be at liberty to create any mortgage or charge in priority to or *pari passu* with these debentures proved to be a fruitful source of embarrassment. The Bankers refused to accept the Government Securities of the Bank as cover for an overdraft or loan because the first charge over all the property of the Bank belonged to the debenture-holders, irrespective of the fact that the debenture floatation did not exceed Rs. 5 lakhs. In view of the persistently falling price of money it was resolved by the Bank's Executive Committee in August 1936 to redeem the entire debenture loan outstanding on the completion of 10 years from the date of issue thereof. With the previous approval of the Local Government and after giving out 3 months notice to the debenture-holders the principal money of the debentures was finally paid off on 1st February 1937, out of the accumulated Sinking Fund of Rs. 6,27,451 leaving a surplus of Rs. 127,451 in the hands of the Bank.

**Management and Control.**—The management of the Bank has been entrusted to an Executive Committee (Board) consisting of 33 Directors. Of these the Registrar of Co-operative Societies and the Financial Adviser to Co-operative Department hold office *ex-officio*, the rest are representatives of member societies elected at the General Meeting on the basis of one person for each of the 28 districts of the Province except Simla. The remaining 3 vacancies, including for the district of Simla, are filled up by the Registrar by nomination from among the representatives provided that 2 nominations shall not be made from one district. Ten members form a quorum. The Committee meets once in 2 or 4 months and decides only matters of broad policy and gives general direction. The conduct of routine affairs of the Bank is left to an inner body known as the Working Committee.

**Working Committee.**—This small Committee of 9 at present is appointed by the Executive Committee from among its own members. It meets once in 2 months and disposes of day-to-day matters of administration of the Bank. To it are delegated the following powers of the Executive Committee :—

(1) to issue new and transfer old shares. (2) to decide the terms, periods and rates of interest at which loans are to be given. (3) to decide the terms, periods and rates of interest at which deposits are to be received. (4) to contract loans with the sanction of the Registrar and to raise other capital as directed by the General Meeting. (5) to make appointments to the staff.

Cases of urgency and loan applications are dealt with by the President assisted by the Financial Adviser to the Co-operative Department within the general limits laid down by the Working Committee. These cases are then presented before the next meeting of the Working Committee for approval and further guidance if necessary.

**General Meeting.**—The existence of some 12,200 shareholders, of which 11,800 are primary societies scattered all over the Province which in one respect constitute the backbone of the Bank, raises difficult problems of Management. How to bring together to a common forum the representatives of all these small societies situated hundreds of miles away from the head-quarters of the Bank is a question which yet remains unsolved.

Under the authority of by-law 13, a device known as Sectional General Meetings on an identical agenda has been tried but without success. Curiously enough the difficulty experienced is not one of unwieldiness but of paucity. To remedy the defect several proposals have been put forward. One is to exclude all primaries from membership. Another is to retain them (as recommended by the MacLagan Committee) but to hold indirect elections with the 'tehsil' as the electoral unit and to finally summon not more than 150 delegates to the general meeting at Lahore. The problem is being earnestly tackled just at present and it is hoped that, before long, a workable solution would be found out.

STATEMENT SHOWING PROGRESS IN THE NUMBER AND  
THE CLASSIFICATION OF THE SHAREHOLDERS OF THE BANK

Year (alternate)	Primary Societies.		Secondary Societies including central banks, banking unions, industrial banks and unions.	Other societies (Non-credit)	Individuals.
	Agricultural credit	Non -Agri- cultural credit.			
1925	4750	25	75	10	Nil
1927	9526	102	111	22	Nil
1929	12243	200	122	50	Nil
1931	12678	220	132	60	Nil
1933	12645	220	132	60	Nil
1935	12619	207	133	52	Nil
1937	12198	197	134	46	Nil
1939	11996	189	131	43	Nil
1940	11844	186	121	43	Nil

NOTE:—Decline in the number of societies after 1933 is due to purchase of the shares of societies under liquidation from the Share Transfer Fund.

STATEMENT SHOWING DISTRIBUTION OF ASSETS OF THE BANK  
*In Lakhs of Rupees*

Year (Alternate)	Investments in Govt. & other approved securities	Loans to Central Banks & Unions	Cash Credit to Central Banks & Unions	Loans to land mortgage banks	Total of cols 3, 4 & 5	Percentage of Invest- ments to total Deposits	Percentage of col. 6 to Total Deposits
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
31st Aug :							
1925	1.65	2.54	Nil	Nil	2.54	85.5	132
1927	20.84	5.06	2.88	7.29	15.23	85	50
1929	39.23	10.94	4.07	18.46	33.47	61	52
1931	32.79	46.11	6.60	19.06	71.77	35	75
1933	126.94	24.02	0.65	16.93	41.60	78	26
1935	95.74	27.10	1.17	15.68	43.95	79	36
1937	96.70	34.67	0.82	14.11	49.60	77	38
1939	91.97	40.83	2.13	13.10	56.06	74	45
1940	76.54	55.05	2.92	12.39	70.36	65	60

## STATEMENT SHOWING PROGRESS IN THE RESOURCES OF THE BANK

(In Lakhs of Rupees.)

Year	Share capital paid up.	Sinking Fund and other Reserve Funds.	Fixed Deposits. Members. Non-members.	Current Account 99% by members	Savings Bank Deposits. Members. Non-members.	Other sources such as loans from Govt. & Debentures.	Profits.	Working Capital.	Percentage of owned funds to total outside liabilities.
31st Aug.									
1925	2.30	Nil	Nil	1.63	Nil	Nil	.29	4.37	119
1927	6.30	.31	0.70	11.81	10.64	Nil	.02	39.74	20
1929	10.30	1.01	30.42	4.90	9.61	Nil	.33	76.51	17
1931	11.18	1.08	56.39	7.09	12.05	Nil	.7	108.83	12.5
1933	11.27	1.18	115.63	10.53	18.69	Nil	.25	176.08	8
1935	11.31	6.55	81.34	12.59	8.65	Nil	.27	142.74	14.8
1937	11.42	12.02	100.14	14.97	8.79	Nil	.58	152.77	18
1939	11.44	14.56	83.71	17.42	6.91	Nil	.66	153.63	21
1940	11.45	16.99	60.98	22.68	10.73	Nil	.42	149.50	24.5

**Note**—Profits were wiped out between 1929 to 1931 by book losses arising from heavy depreciation in Government Securities. The whole amount written off however, returned to the Bank in 1935 on the sale of securities which had since recovered. The decline after 1935 is explained by the adoption of a new practice by the Bank. Interest accrued on loans due by weak banks is being taken to Interest Suspense Account which on realization is credited direct to Interest Received and Reserved Account without passing it through Profit & Loss Account.



**The Banking Crisis of 1931.**—The year 1931 marks an important stage in the development of the Bank and will be remembered in its history. The first serious test to which the Bank was put in its short life was the banking crisis of September 1931. The Bank succeeded in weathering the storm so skilfully that all doubts as regards its utility were set at rest. What follows is a brief description of the event extracted from the annual report of the Bank: "The Peoples Bank of Northern India Ltd. suspended payment on the 29th of September 1931. This was the immediate cause of the crisis. Britain's going off the gold standard, 3 compulsory holidays on 23rd, 24th and 25th September and universal economic depression were other concomitant factors. There was a distinct run on the co-operative banks in common with the joint-stock banks, which were situated at places having a branch of the Peoples Bank or of the Punjab Kashmir Bank which also closed its doors. They were Lahore, Gujrat, Gurdaspur and Narowal. The panic abated in 4 days' time but confidence was not fully restored. Withdrawals of fixed deposits on maturity continued for 4 months from some of the Central Banks. New deposits were out of the question. Lyallpur, Sargodha, and Jaranwala Central Banks were affected by hostile propaganda by interested parties. Gurgaon, Rewari, Rohtak, Karnal and Hissar Central Banks were handicapped by severe famines. The Provincial Bank extended its support freely to all those which applied for it. Calls for accommodation were made by Central Banks, large and small, in the shape of heavy drawings on the current accounts, cash credit limits and fresh loans. In several cases advances were made without application when it was discovered that fluid resources of certain Central Banks were drained by persistent withdrawals. All formalities were set aside and in most cases pronotes were obtained long after the moneys had been remitted.

Incidentally, the soundness of one of the findings of the MacLagan Committee Report, that inter-bank lendings should be prohibited because it leads to interlocking of funds, was amply proved. The creditor Central Banks pressed the debtor Central Banks for repayment of balances still outstanding as a legacy of the old regime. But not a single bank could pay. All of them had to fall back on the Provincial Bank which paid out Rs. 40 lakhs in a month's time. The thanks of the Bank are also due to the Local Government which readily consented to offer its guarantee for the Rs. 20 lakhs cash credit limit with the Imperial Bank at that critical hour.

**Relations with Central Banks.**—The Bank is the coping stone of the co-operative credit structure. The system forms a federated whole. Thus the essential function of the apex bank is that of co-ordinating and

balancing the activities of the members of the federation. The bank performs this service in various ways: (1) accepts surplus funds without limit from Central Banks and banking unions offering a reasonable rate of interest, (2) utilises the pooled funds in providing credit facilities to the member banks, (3) serves as the clearing house for the settlement of cheques, bills and drafts of the whole organization, (4) economises remittances from one place to another, (5) supplies skilled knowledge in all complicated matters of higher banking law and practice, (6) helps in buying and selling of gilt-edged securities by advice or by actual performance free of charge, (7) acquaints the banks with conditions of the money market and security market by circulars from time to time, (8) gives lead to the Central Banks by revising its own borrowing and lending rates or by otherwise changing its policy if financial conditions justify such a step, (9) encourages the study of principles of co-operation, and law and practice of banking among the staffs of the member banks. The Bank avoids competition with the Central Banks in all spheres of its operations and offers them preferential treatment.

The Central Banks on the other hand send regularly prescribed monthly returns to the Provincial Bank giving information about the following matters :—

(a) position of fluid resources (b) maturities of fixed deposits (c) seasonal recoveries from affiliated societies, (d) prevailing rates of interest, (e) bad and doubtful debts, (f) overdues of interest, etc.

The relations between the Provincial Bank and the Central Banks are based on community of interests, mutual good-will and co-operative spirit. The question of effective control by the one over the other has not so far been discussed.

**Business of the Bank.**—It is to be remembered that nearly 12,000 primary societies are shareholders of the Bank but the same societies are also shareholders of the Central Banks. With a view to avoiding conflict with the Central Banks and for other obvious reasons the Provincial Bank does not deal with primary societies at all.

**Advances to Central Banks.**—Loans to Central Banks are made according to their requirements on the security of their own promissory notes. They are not required to assign the pronotes or bonds of the affiliated societies to the Provincial Bank. The surplus Central Banks only borrow in a time of emergency unlike minus Central Banks, whose number has arisen, thanks to the continued fall in prices of agricultural produce, successive famines in some of the dry portions of the Province

and the nervousness of depositors as a repercussion of the Great War. The existing rate of interest charged on these loans is the Bank Rate (Imperial Bank) subject to a minimum of  $3\frac{1}{2}$  per cent. The duration of a loan is generally 12 months, but the borrowing bank has the option to repay within that time. Extensions are granted for satisfactory reasons for inability to pay. Since 1932 half-yearly kists are fixed on the basis of the prospects of the harvest. The percentage of repayments is 29. Loans to banking unions are granted only in such cases where the parent Central Bank refuses to finance them or charges an excessive rate of interest.

**Cash Credits.**—Limits ranging from Rs. 2,000 to Rs. 30,000 are sanctioned to Central Banks and banking unions to meet their short-term requirements. These drawings are intended to be utilised, otherwise they are liable to be cancelled. Nor are the undrawn limits to be counted towards the prescribed standard of fluid resource. This rate of interest charged for this facility is Imperial Bank Rate, subject to a minimum of 4 per cent.

**Overdrafts.**—Temporary overdrafts without security are also allowed on current accounts and banks have permanent arrangements on the pledge of approved security. In addition to this all Central Banks have permanent overdraft arrangement with the branches of the Imperial Bank within their easy approach.

**Long-term Loans.**—Owing to the stagnant condition of the land-mortgage banks, practically no business is carried on now under this head.

**Surplus Funds.**—The only outlet for the employment of surplus funds is investment in trustee securities.

**Advances to Individuals.**—Except on the security of his or her own fixed deposit in the Bank no other facility can be afforded to individuals under the Rules.

**Deposits.**—Deposits are accepted from all parties in fixed, current and savings bank accounts. At present no interest is allowed on current accounts for individual customers, while on the same class of accounts for Central Banks 1 per cent is allowed on the daily credit balance.

**Arrangements with the Reserve Bank.**—A current account has been opened with this Bank which has recently opened a full-fledged Branch in Lahore. Negotiations are also on foot to establish a permanent con-

nection with this bank. The proposal is being considered to come on the approved list by agreeing to deposit free of interest with the Reserve Bank 2½ per cent of the demand liabilities and 1 per cent of the time liabilities of the Provincial Bank. In return for this the Provincial Bank will be entitled to the same remittance transfer facilities as are enjoyed by the Scheduled Banks subject to certain other conditions.

**Free R. T. Rs.**—These facilities, which have been enjoyed by the Co-operative Movement over the whole of the country since its inception, have recently been withdrawn by the Government of India. The Local Government is being approached to compensate the Reserve Bank for the cost involved.

**Arrangements with the Imperial Bank of India.**—A permanent overdraft arrangement for Rs. 50 lakhs exists with the Imperial Bank of India against the security of Government Paper lodged with them. The rate of interest has recently been revised twice and reduced to bank rate, minimum 3 per cent. Two years before it was Bank Rate, minimum 4 per cent.

**Cash Credit limit.**—At one time the Bank could avail itself of a cash credit limit of Rs. 20 lakhs on the security of promotes of approved Central Banks at 1 per cent above the Bank Rate, minimum 6 per cent. It was cancelled in 1931 apparently for want of drawings on it but really on account of the paramount floating charge created in favour of the debenture-holders.

**Relation with the Indian Provincial Banks' Association.**—The Bank is a regular member of the Association and is also represented on the Standing Committee by a delegate.

**Dividend.**—Subsequent to the redemption of the debentures a dividend at 4½ p.c. was declared for the year 1938-39. 5 p.c.; for the year 1939-40 is being given. Accumulated dividend at 6½ p.c. relating to the period of currency of the debentures has also been distributed in cash in place of bonus shares as was originally provided for in the scheme of debentures.

**Overdue interest.**—The amount has been calculated at Rs. 57,000 and is mostly due from the mortgage banks under liquidation. The amount is fully provided for.

**Bad and Doubtful Debts.**—The peculiar position of the Provincial Bank has led to the increase of doubtful debts. They have been recent-

ly estimated at Rs. 12·53 lakhs, the total amount on loan being Rs. 67·45 lakhs. This is amply provided for according to the prescribed standard under the two heads, Reserve for Bad and Doubtful debts and Interest Received and Reserved Account.

**Land Mortgage Banks.**—It is not proposed here to make a comprehensive survey of the growth of the mortgage banks in the Province. They will be studied only in so far as they come in the picture with reference to the operations of the Provincial Bank. They were 7 in number in 1926, 9 in 1927, 10 in 1929 and 12 in 1930. Of these twelve, 6 operate in wet areas and 6 in dry areas. Two having recently gone into liquidation, the number of those in the field is reduced to 10. It may also be mentioned that only 1 among these banks (the first to be registered) is with unlimited liability, the rest are with limited liability.

It is unfortunate that there appears to be no genuine future for the land mortgage banks in the Province. With the exception of 2 or 3, no bank is advancing new loans. Their entire energies are concentrated on the realization of frozen assets from the defaulting members. Some of the important factors responsible for the set-back may be summarized as follows:—

(1) *The limitations set by the Alienation of Land Act.*—Under this Act the land of notified agricultural castes cannot be sold to members of castes which are not covered by the notification. It can, however, be leased for a maximum period of 20 years. The status of a mortgage bank is that of a non-agriculturist in the eyes of the Act. Thus the land of an 'agriculturist' cannot form a satisfactory basis of long-term credit for him.

(2) *The changed level of low economic prices since 1929.*—It has been a difficult process for the agriculturist to adjust himself fully to it.

(3) *Lack of experience and foresight.*—Big loans out of proportion to the repaying capacity of the debtors were given, especially in some of the wet areas.

(4) *A long spell of drought and famine in the South-East Punjab.*—Both the banks in liquidation belong to this area.

(5) *The relative shortness or the length of loans.*—The smaller the period, the lower is the margin of saving of the debtor. 10 years in the first instance with a possibility of extension for another 10 years is too inadequate for the purpose. It ought to have been 20 plus 20, if necessary.

The following table indicates other facts relating to the indebtedness of the Mortgage Banks to the Provincial Bank :—

*In Lakhs of Rupees*

Year	Balance of out-standing loans	Percentage of recovery	Period of Loans	Rate of Interest	Security offered
31st Aug.					
1926	7.29	—	10 years	7 %	Bonds executed by the Mort. Bk. in favour of the Provincial Bank without any collateral security.
1927	8.29	12		"	
1928	13.62	16		6¾%	
1929	18.46	10		6½%	
1930	18.96	7		"	
1931	19.06	12		"	
1932	17.92	7		"	
1933	16.93	6		"	
1934	16.34	5	Extended for a	5½%	
1935	15.67	5	fresh period of	5¼%	
1936	15.22	7	10 years since	"	
1937	14.11	9	1934	4½%	
1938	13.76	5		"	
1939	13.09	5		"	
1940	12.39	5		"	

## THE BENGAL PROVINCIAL CO-OPERATIVE BANK

By

RAI BAHADUR SANAT KUMAR CHATTERJEE,

*Director, Bengal Provincial Co-operative Bank Ltd.,*

*Professor, University Law College, Calcutta.*

The Bengal Provincial Co-operative Bank, Ltd., had its nucleus in the Bengal Provincial Co-operative Federation which was registered in February, 1918 and started its work in the month of April, 1918.

Before the Federation started work, it was the Alliance Bank of Simla Ltd., Darjeeling Branch, which used to finance the Co-operative Central Banks under the Cash Credit system. On the 1st of July 1918 the Bengal Provincial Co-operative Federation took over all the cash credits granted by the Alliance Bank of Simla Ltd., to the Central Co-operative Banks in the Presidency of Bengal and the total cash credits thus taken over was about 3 lakhs of rupees. Almost all the Central Banks in the province joined the Federation before the 31st December, 1918.

The Federation provided investments in its current and short term deposits at remunerative rates for several lakhs of rupees which would otherwise be idle in the hands of Central Banks for some months before the sowing season. The Federation was at its inception managed by a Board of Directors with the Registrar as its Ex-Officio Chairman. Mr. J. T. Donavan I.C.S., was its first Chairman.

In 1922 the name of the Federation was changed to the Bengal Provincial Co-operative Bank, Ltd. From this year non-official Chairman has been elected. Amongst others the following distinguished names may be mentioned as the holders of the office of the Chairman :—1. Mr. I. B. Dutt, Managing Director, Comilla Union Bank, Ltd. 2. Mr. S. R. Das, Advocate-General, Bengal. 3. Sir R. N. Mukherjee, K.C.I.E., K.C. V.O., (From 1927 to 1930). 4. Mr. J. N. Basu, M.L.A., Solicitor (From 1931 to 1934).

Mr. W. C. Wordsworth, M.L.A., Ex-Director of Public Instruction, Bengal and Assistant Editor, *Statesman*, is the present Chairman and has been holding office since 1934-35.

In 1923 the system of withdrawal by means of demand draft from current account was introduced. In 1928 the Savings Bank Department

was opened. Cheque system in the current account was introduced from 1st January, 1940.

The Provincial Bank financed the Co-operative Jute Sale Societies, but they did not prove successful and they had to be liquidated in 1930. The failure of the Jute Sale and Supply Societies had a repercussion on the Provincial Bank. The then Minister-in-Charge of Co-operation obtained a guarantee from the Government of Bengal for 3 years of a cash credit of Rs. 30 lakhs with the Imperial Bank of India. This was intended as a second line of resource on which the Bank may fall back in case of emergency. But there was no occasion to draw upon the same at all.

In 1934-35 in order to make good the entire losses sustained by the Provincial Bank on account of its investment in the Jute Sale and Supply Societies, the Government of Bengal granted a subvention of Rs. 24 lakhs in annual instalments of Rs. 2 lakhs for 12 years. Rs. 8 lakhs have been drawn up-to-date on that account.

The lending rate of the Provincial Bank to the Central Banks was at about this period reduced to an effective rate of 5 per cent on old long term loans in order that there may be corresponding reduction of interest to the ultimate borrowers.

For the last two years the Provincial Bank has changed its loan policy and has practically confined its business in advancing short term loans to the Central Banks for the purpose of supplying the necessary small credit to the actual cultivators for raising their seasonal crops. For the last two years both the Department and the Provincial Bank agreed that the future of the Co-operative Movement in this province depended on two important factors viz.—1. expansion of business on sound lines and 2. liquefying the frozen assets of the Provincial Bank and their realisation by instalments spread over a number of years. It was agreed that the ultimate goal of co-operative credit organisations was to undertake the supply of the entire rural credit for seasonal agricultural operations, so far as it was consistent with sound business principles. There are over 80,000 villages in Bengal, and as yet only about 25,000 of them have got co-operative credit societies, their membership numbering about 350,000; and even amongst these many of the solvent cultivators have not entered the co-operative fold. With the shrinkage of credit on account of the various legislative enactments like the Bengal Agricultural Debtors' Relief Act and the Bengal Money Lenders' Act capital has become shy and it was felt that the Government must substitute some alternative for supply of rural credit to meet the seasonal demand of the cultivators in rural Bengal.



The Government of Bengal accepted this principle and placed in the hands of the Provincial Bank a sum of Rs. 13½ lakhs in 1939-40 for advance of crop loans. The Provincial Bank advanced a sum of Rs. 20 lakhs (the balance out of its own funds) and could in that year realise the same in full and returned the Government advance with interest at the rate of 3¼ per cent. In the year 1940-41 the Government placed at the disposal of the Provincial Bank a sum of Rs. 55 lakhs for this purpose. The Bank drew a sum of Rs. 45·45 lakhs during this period. Of this a sum of Rs. 36·50 lakhs has been realised up-to-date and the Bengal Provincial Co-operative Bank expects that the major part will be realised, except a small amount invested in those areas where there has been total failure of crops and therefore some extension of time may have to be allowed.

For the year 1941-42, the Government has sanctioned a fresh loan of Rs. 60 lakhs for crop loans at the same rate of interest, viz., 3¼ per cent.

Besides the crop loans, the Provincial Bank is expanding its business in the marketing line. A few large multi-purpose societies have been formed, which are financed by the Provincial Bank and one of them has already a rice mill of its own and another is working in a hired mill. These societies get the crop of their members and also that of the members of the local crop loan societies. This is done by purchase outright at its inception, but once business relations are established only about 75 per cent of the value need be paid at the time of delivery and the balance may be paid after the sale of produce. The conjoint action of the Central Bank and the multi-purpose societies in the same area is calculated to effect "total co-operation" through the medium of the Provincial Bank.

Besides these large multi-purpose societies, the Bengal Provincial Co-operative Bank has been financing certain large fishery societies of which the deep sea fishery societies known as Chittagong Matsyajibi Samabaya Samity working in the Bay of Bengal and the Bidyadhari Spill Matsyajibi Samabaya Samity in the suburb of Calcutta may be mentioned.

The Bengal Provincial Co-operative Bank has recently refused to undertake long term commitments as finance to Land Mortgage Banks. There is a proposal pending before the Government for necessary advances from Government for the purpose till the money market improves, when Government guaranteed debentures may be safely floated at a reasonable rate of interest.

The present Board of Management consists of 21 members, out of them 18 are elected members, 3 from Calcutta and 3 from each of the

Commissioners' Divisions—not more than one to be elected from each administrative district. The Registrar nominates 3 members to the Board. There is a provision that these 21 members may, if they think it necessary, co-opt up-to 3 additional members to the Board. The present strength of the Board is 21.

The working capital of the Bank is Rs. 2,60,40,414. The paid-up share capital is Rs. 18,67,975 and the Bank has got a Statutory Reserve Fund amounting to Rs. 7,75,342 and a Special Reserve Fund Rs 20,08,478.

The investment in the Central Banks amounted to Rs. 1,01,34,087 and in the Land Mortgage Banks Rs. 5,12,698 and the cash credit to the Central Banks and Societies Rs. 4,93,226 on 30th June 1940.

A copy of the balance sheet as on 30-6-1940 is appended.

## THE BENGAL PROVINCIAL CO-OPERATIVE BANK, LTD.

Balance Sheet as on 30th June 1940.

## CAPITAL AND LIABILITIES

## PROPERTY AND ASSETS

	Rs. A. P.	Rs. A. P.
I. Share Capital paid up	18,67,975 0 0	74,505 9 0
II. Reserves :—		24,391 0 1
(a) Statutory Reserve	7,75,343 4 6	77,51,570 0 0
(b) Special Reserve	20,08,478 5 0	
(c) Other Funds	8,27,798 10 6	1,50,65,091 7 4
III. Deposits :—		
(a) Current	16,05,614 7 5	13,890 4 0
(b) Savings Bank	17,63,273 10 1	29,85,383 12 4
(c) Fixed and other	1,22,33,602 11 11	1,66,249 15 6
(d) Employees' Provident Fund	53,413 1 7	31,25,219 12 7
(e) Employees' Security Deposit	25,800 0 0	
IV. Loans and Overdrafts	74,81,079 4 9	65,370 0 0
V. Central Banks' and Societies' investment held by the Bank as Security and in safe custody—per contra		7,193 5 6
VI. Interest payable	65,370 0 0	616 10 0
VII. Dividend due	3,33,202 1 7	5,060 4 0
VIII. Income Tax outstanding	17,160 10 6	11,574 0 9
IX. Cost of Management due	11,848 1 6	
X. Suspense	307 3 0	
XI. Balance transferred from Profit and Loss appropriation account	1,69,929 15 1	2,161 2 8
	58,080 12 4	
<b>TOTAL</b>	<b>2,92,98,277 3 9</b>	<b>2,92,98,277 3 9</b>
	<b>TOTAL</b>	<b>TOTAL</b>

## THE CENTRAL PROVINCES AND BERAR PROVINCIAL CO-OPERATIVE BANK

By

G. A. BHONSULE,  
*Manager.*

The Co-operative Movement was started in this Province about 30 years ago; as time rolled on it was found necessary to provide for a central financing institution and a balancing centre for the Province. Mr. Crosthwaite, the then Registrar, stated in his report on co-operative societies for the year ending with 30th June 1912 as follows :—

“Our co-operative institutions are, as a rule, remote from and strangers to the great commercial concerns of these Provinces. Mr. Dewar, the Deputy Commissioner of Balaghat, pointed out that unless capital was forthcoming in larger amounts the movement in his District would starve. Similar warnings came from other districts. Moreover, it was clearly necessary to devise an elastic system, which would effectually guard against the danger of idle capital remaining with central banks during dull periods, by providing a clearing house. An inspecting agency which would supervise and control the work of Central Banks had also to be created. Having assured myself that the necessary share capital would be forthcoming from the public, I prepared a scheme which was first of all submitted to the Chief Commissioner, and thereafter discussed by a Committee consisting of the Financial Commissioner, the Director of Agriculture and Industries, the Hon'ble Sir G. M. Chitnavis and myself. I also journeyed to Allahabad and placed the scheme before the Directors of the Allahabad bank and obtained their support. The outcome of these efforts was the formation of the Provincial Co-operative Bank, an institution which is to be the immediate link between Central Banks and the money market. The capital asked for was five lakhs and this was speedily oversubscribed by the leading gentlemen of these Provinces. The first General Meeting of shareholders was to have been held on the 20th March; but as plague was prevalent in Nagpur, it had to be postponed until July the 15th, 1912, upon which date the Directors will be elected and numerous important details regarding practical organization settled. Before the close of the co-operative year, however,

a considerable portion of share capital had been paid up, and by arrangement with shareholders this was at once invested in loans to Central Banks thus avoiding any loss of interest."

The Bank was registered on the 2nd April 1912 and is now running the 30th year of its existence. The capital was raised in the second year of the Bank's existence to Rs. 7 lakhs to meet growing demands. The Bank on the strength of the paid-up share capital and the reserve liability (called the guarantee liability) attached to the preference shares obtained cash credit of Rs. 10 lakhs from the Allahabad Bank, Ltd., Jubbulpore.

The first Board of Directors consisted of the following members:—

- (1) Diwan Bahadur Seth Ballabhdas of Jubbulpore,
- (2) The Hon'ble Sir Gangadhar Rao Chitnavis, K.C.I.E., Nagpur,
- (3) Rai Bahadur Seth Jeewandas of Jubbulpore,
- (4) Sir Kasturchand Daga, K.C.I.E., and
- (5) Agent, Allahabad Bank, Ltd., *Ex-Officio* Member.

Until the year 1917, the control of the Bank was in the hands of a body of Directors elected from amongst the individual shareholders. This conflicted with the basic principles of co-operation and it was deemed advisable to democratise the institution by placing the management in the hands of Directors consisting more of the co-operative element. As the first step in this direction, Preference Shares were redeemed in favour of societies and Central Banks and they were made the shareholders of the Bank. Naturally, their representatives were elected to work on the Directorate of the Provincial Bank.

In the beginning the Bank was not allowed to accept any kind of deposits and it had to carry on its business from the share capital and the amount borrowed from the Allahabad Bank, Ltd., Jubbulpore, against cash credit granted at 6 per cent per annum. This state of affairs continued till the year 1913, when it was found absolutely necessary in the interests of the movement to allow acceptance of fixed deposit. The Bank's resources were strengthened on account of acceptance of deposits. It completely repaid the overdraft of the Allahabad Bank and in consultation with the Registrar, invested Rs. 1,55,000 out of its surplus funds in co-operative banks outside the Province.

In 1916-17 the Bank really felt the strain on the money market caused on account of the floatation of the War Loan. The Directors

formulated and announced several schemes for facilitating the subscriptions of the War Loan and although there was a heavy strain on the Bank's resources the Bank played a prominent part in the War Loan in these Provinces. In the same year the expansion of societies was again taken in hand to create scope for investment of idle capital and the Governor of the Federation engaged special staff for organization of societies.

The year 1917-18 was unusually bad year for Berar, the cotton crops having failed badly. Repayments from those tracts were very meagre. The wheat districts too, had not had a very good year and repayments were less than usual. But on the whole, they were more punctual. This year the Directors created adequate reserves for depreciation of investments to adjust the face value of the Bank's investments with the ruling market rates. There was abnormal rise in the rate of exchange on London which necessitated carrying nearly Rs. 20,000 to Reserve for depreciation of investments in the 5 per cent British War Loan of 1929-47 for £11,073 and odd held by the Bank.

In the year 1918-19 the Bank carried heavy surpluses and though a number of societies were organised in the province, the demand for the loans was not commensurate with their number; because on account of very high prices of cotton and grain the agriculturists could satisfy their demand for cultivation and other expenses from their own savings.

As the Provincial Bank carried heavy surpluses it advised the Central Banks to organise societies. Consequently a large number of societies were organised in the beginning of 1920 and the demand for loans on the Provincial Bank was naturally very brisk. Though the cotton crop was excellent, the members could not repay as the prices of cotton crop fell off suddenly. All these circumstances led the Central Banks to ask for very large amounts from the Provincial Bank. As demand was brisk, the Bank had to draw on the Cash Credit of the Allahabad Bank to the full extent amounting to Rs. 2 lakhs besides borrowing demand loans from the Nagpur Branch of the Bank of Bengal to the extent of about Rs. 5 lakhs. During this year Rs. 20 lakhs was advanced and 12 lakhs recovered.

For some time it was felt necessary to make an attempt to tackle the problem of repayments of the old debts. A scheme was formulated in the year 1917 but it did not take shape till 1919, when over a lakh of rupees was advanced to the Akola Central Bank for financing the long term requirements of members of societies. The amount was advanced for a period of 16 years on the security of mortgage of lands

duty assigned to the Bank, and the loan was made repayable by equal annual instalments. The scheme was found to be defective in as much as for every 100 Rupees Rs. 15-4-4 was the annual instalment. Although the rate of interest was 9 per cent it worked out to be very high, in as much as interest had to be charged at 9 per cent per annum on Rs. 100 throughout the period of the scheme. Some of the members admitted to the scheme could, however, repay their loans in full within a couple of years, as they had bumper crops which brought them enough money to repay the mortgage debts in full. The Provincial Bank on the strength of mortgage security held by it raised a loan of Rs. 61,000 by selling debentures at par at 7 per cent.

This year the Bank with a view to encourage Central Banks to take up Savings Bank business agreed to grant cash credits to serve as a cover against it. The Mekhar Central Bank took advantage of this facility and a cash credit of Rs. 1,000 was granted to it. The Akola and Yeotmal Central Banks were granted similar cash credits for their savings bank business. Now, in the whole province, practically all the banks have been carrying on savings bank business, thus giving banking facilities to the general public.

The year 1919-20 witnessed heavy fluctuations in the rate of exchange. By the end of 1919-20 the rate was fluctuating between 1s. 10d. and 1s. 11d. As the Bank held British securities it had to provide for a very big amount of depreciation caused by exchange. A sum of Rs. 44,000 was added to the reserve for depreciation of securities thus raising the figure to Rs. 98,000. In April 1920, the Bank's head-quarters which was hitherto at Jubbulpore was shifted to Nagpur.

The year 1920-21 was one of crisis for the Bank. This year large number of societies were registered. During this year, the Government of India borrowed very heavily from the market. The consequent strain on the money market tended to check the flow of deposits to the co-operative banks of the Provinces. The central banks made large demand for money on the provincial bank for financing the requirements of the old as well as the newly registered societies. The bank had to make advances to central banks as they could not get money from elsewhere. To add to this difficulty crops failed in the whole of the Province due to the early cessation of rains. When the movement was in such a predicament, the Managing Committee of the Bank approached the Government to grant cash credit to the movement to serve as fluid resource against deposits. The Government readily responded and granted cash credit of Rs. 17 lacs to serve as a fluid resource against deposits and a further credit of 19 lacs for financing the move-

ment. During this year about Rs. 4 lacs were withdrawn by co-operative banks for repayment of deposits. Out of a sum of Rs. 19 lacs, not more than Rs. 12 lacs were drawn for financing the requirements of society members. The central banks and the Provincial Bank put up their rates of interest on deposits which enabled them to retain the old deposits and attract fresh ones. The Bank sold British securities this year as the rate of exchange was favourable.

On the 26th October 1921 the Government appointed a Committee under the Presidentship of Mr. R. M. King, I.C.S., to enquire into the constitution of the co-operative banks, of the general working of rural credit societies, of central banks, the Provincial Bank and the Central Provinces Co-operative Federation. This Committee in its Report dated the 8th January 1922 recommended the liquidation of the Provincial Bank but the co-operators of the province advanced strong reasons for retaining the institution, and the Government, after mature consideration, decided to continue it.

The first half of the second decade marks contraction in loan business and rise in deposits and consequent carrying of heavy surpluses. In this decade the maintenance and investment of fluid resource of the Provincial Bank and the Central Banks was regularised. The Central Banks were asked to maintain adequate fluid resource for covering all sorts of deposits. The fluid resource of the movement began to be deposited with the Provincial Bank in the name of the Registrar. In the beginning the Provincial Bank paid interest on this amount at the rate of  $5\frac{1}{2}$  per cent per annum. As the amount in the fluid resource increased, the Provincial Bank could not continue to pay interest at this rate. First the rate of interest was  $5\frac{1}{2}$  per cent but it had to be reduced gradually, when the yield on Government paper held by the Bank to cover the amount became low. Reduction was effected gradually during the period of eighteen years commencing from 1921-22. Now the rate is  $3\frac{1}{2}$  per cent per annum. Under this arrangement the fluid resource required to cover fixed deposits and only due during a period of 12 months was to be transferred to the Provincial Bank and the fluid resources for savings and currents were required to be maintained by the Central Banks independently in readily realisable assets such as deposits in postal savings banks, postal cash certificates, and government securities.

In 1920-21 the Bank commenced accepting savings bank deposits. This business became very popular in course of time. The growth of this business was steady till 1937-38. On 30th June 1938 the total amount held was Rs. 19 lakhs, but in subsequent years on account of Berar crisis and outbreak of war, the deposits declined consider-



ably. Now the Bank holds over Rs. 15 lakhs (15,45,290) and there are now no heavy withdrawals.

In 1923-24 the Bank reduced the rate of interest on deposits for periods over a year. Although there was a reduction in the rate of interest, there was no reduction in the amount of deposits. In 1924-25 there was a considerable rise in the loan business. The loans outstanding against the Central Banks rose to Rs. 18 lakhs as against Rs. 10 lakhs outstanding on 30th June 1924. In 1925-26 the loans increased to Rs. 26 lakhs as against Rs. 18 lakhs. But there were heavy demands from the Central Banks for finance and as crops failed in major parts of Berar resulting in poor recoveries the Bank felt rather diffident about its ability to finance the movement. So it had to arrange for money from other Provincial Banks. During the year a sum of Rs. 4 lakhs was taken as deposits from Provincial Banks outside the Province.

On the 15th and 16th January 1926 all the Provincial Banks met in a conference and passed two important resolutions, one dealing with re-discounting of bills either backed up by documents or by other tangible security or by crop loan by the Provincial Banks with one another, and the other relating to the starting of inland exchange business. These two resolutions were placed before the General Meeting of the Central Provinces and Berar Provincial Co-operative Bank held on 20th November 1926 which accepted unanimously the introduction of the inland exchange business. The business had been giving a steady income to the Bank.

This year the authorities of the Bank thought that the admission of wealthy individuals and businessmen to the membership of the Bank would bring it more and more in contact with business community and the investors and thus the resources of the Bank would be strengthened considerably. The Bank therefore released portion of its authorised capital in favour of individuals, who readily availed themselves of the opportunity and within a short period more than 500 shares were subscribed.

In 1928-29 the Manager of the Provincial Bank made an attempt to form a Co-operative Society of Grain Dealers of Nagpur but the merchants did not want to form one in as much as they thought that by joining the society they would not be able to maintain secrecy in their business. They, however, expressed their willingness to borrow money individually from the Bank. Under the byelaws then prevailing it was not possible to make loans to grain dealers on security of their grain and hence no attempts were made till 1939-40, when

the Bank by opening a pay office at Narsinghpur began advancing money to individual members on security of grain or other agricultural produce.

In 1929-30 the Bank re-fixed the instalments for repayment of loans outstanding against some of the Central Banks as overdues had accumulated against them and as the Bank had no other alternative than re-fixing their instalments. This year the Bank commenced making advances on security of Government Paper to individuals. This year also marks the opening of a Safe Custody Vault for keeping the Bank's own Securities which were hitherto kept with Imperial Bank of India and the valuables of the public. The safe custody vault has now become very popular with the public who greatly appreciate the facility made available to them at moderate charges. This year there was heavy depreciation of securities and the profits were transferred to the depreciation reserve this year. Naturally no dividend could be declared.

In 1930-31 the Government borrowed very heavily from the market with the result that the Government rate of interest was very high. "Money became scarce. There was heavy fall in the prices of securities and the consequence was that the Bank had to face considerable depreciation in the value of its gilt edged holdings, so much so that the whole of its profits earned during the year was with the exception of a small sum of Rs. 750 allocated towards meeting the depreciation." No dividend could be paid this year also.

In 1931-32 a very cautious policy was adopted by the Bank in respect of fresh finance. Advances for all reasonable requirements were, however, never refused to any Central Bank. This policy of the Bank elicited considerable criticism from the borrowing banks but the conditions of the year under review were so gloomy both in respect of outturn and the low level of commodity prices that the Directors felt it their duty to hold the strings tight.

This year the Provincial Government sanctioned the Bank's bye-laws enabling the Bank to make advances to individual share holders on the security of gold, silver, agricultural produce, life policies and securities mentioned in Section 20 of the Indian Trust Act. Inland Exchange business brought in Rs. 1,000 by way of commission. During the year the Bank's holdings in Government paper appreciated and the problem which exercised the Bank so much in the preceding year was solved without any special attempts on its part.

The year 1931-32 and succeeding eight years were years of world depression. This is marked by heavy overdues and low repayments.

But the Bank carried heavy surpluses for which new avenues of investment began to be explored. It made advances to individuals, but the problem of investing the heavy surpluses could not be solved. In order to find out better avenues of investment than those available the Bank decided to open branches mainly with a view to carry on business of making advances on security of grain or other agricultural produce. This period is further marked by large scale financing of the Central Banks. Some of the Berar Central Banks could not repay their deposits as they had not got enough cash resources. They had to make a request to the Provincial Bank for funds. The Bank readily came forward and made large advances to them and also to some of the Central Provinces Banks.

During this decade the Bank had to redeem shares of the face value of over Rs. 1 lakh under the provisions of the byelaw No. 24 as a result of compulsory redemption of shares held by defunct societies.

Since 1932-33 the Bank has been insisting on such Central Banks as can afford to have the overdues covered by mortgages of an equal value plus a reasonable margin. For fresh loans also the Bank insisted on having security either in the form of mortgages of lands owned by Central Banks or assignment of mortgages transferred to them.

In 1931-32 the Provincial Bank insisted on the Berar Central Banks to assign the mortgages given by the members of the societies but it was pointed out that there were a number of difficulties attached to this, and as such a *via media* was found out and the system of earmarking by the central banks of mortgages in favour of the Provincial Bank was introduced. In the year 1932-33 the central banks earmarked in favour of the Provincial Bank mortgages of lands of the aggregate market value of Rs. 5,63,000. The Registrar too on his part issued instructions to the Central Banks asking them to remit directly to the Provincial Bank the amounts recovered by them against the earmarked mortgages.

In 1933-34 two land mortgage banks came into existence, one at Amraoti and the other at Mehkar. The Bank advanced about Rs. 11,000 to these Banks. This marks a new era in the Bank's activities. Since this year the Bank has been functioning as the Central Land Mortgage Bank of the Province.

In 1934-35 there was a further reduction in the number of societies the registration of which had to be cancelled as they were going from bad to worse and consequent reduction in the Bank's share capital held by these societies. This year the Bank gave notice to individual

depositors to withdraw their high-rated deposits before due dates or accept lower rates of interest. With the exception of a small sum of about a lakh and half, deposits carrying high rates of interest were renewed. This Bank was, therefore, in a position to reduce the interest liability considerably which helped it to augment its profits. This year the Government allowed the Bank to make advances even to non-members on security of the Bank's deposit receipts, Government paper and debentures issued by it.

From 1935-36 onwards there is development of land mortgage banking business. During the year the Bank advanced Rs. 1,35,877 to the Primary Land Mortgage Banks. With a view to unload the sums advanced to the land mortgage banks, the Bank issued at 3¾ per cent the first series of its debentures of the face value of Rs. 1 lakh which were readily sold. In 1936-37 a second series of debentures were issued at 3½ per cent for Rs. 3 lakhs and these were readily sold.

In the beginning of 1937, the Bank completed the 25th year of its existence. It therefore celebrated its Silver Jubilee, which was inaugurated by His Excellency the Governor on the 13th March 1937. In the course of his speech, His Excellency complimented the Bank in the following terms. "The fact that the Bank has withstood the economic storm which swept the world and has come out of it unimpaired is a gratifying proof of its inherent strength." This year the title of K.B.E., was conferred on the Bank's Chairman, R .B. M. G. Deshpande in recognition of his devoted services in the cause of co-operation. In commemoration of the Silver Jubilee, it issued 10-Year Silver Jubilee Bonds thus placing before the public an attractive scheme of investment. The bonds were sold by the Bank from 17th March 1937 till November 1938. The total face value of the Silver Jubilee Bonds sold during this period amounted to Rs. 3,38,600. They were issued at Rs. 70-8-0 per hundred repayable at par after the expiry of 10 years. The yield on the Bonds is nearly Rs. 3-10 per cent, compound.

In 1938-39 the fourth series of debentures of the face value of Rs. 4 lakhs were issued at 3¼ percent. As the rate of interest was comparatively low, the Bank could not sell the whole lot and the unsold debentures aggregating to Rs. 38,500 were therefore held by the Bank in its investment folio.

This year the Bank advanced a little less than Rs. 2 lakhs at 3½ percent per annum to the Narsinghpur Central Bank for financing the requirements of grain dealers.

Since 1938, there began heavy withdrawals of deposits from the Berar Co-operative Banks. The Bank helped the Akola, Amraoti, Khamgaon, Malkapur and Morsi Central Banks in repayment of deposits taking security from them either in the form of mortgages of their lands or assignment of mortgages executed by the members of societies. Whenever the Central Banks had no security to offer the Bank had naturally to refuse to advance money. Besides, the Bank had practically passed beyond safety limit of long term financing and whatever advances that could be made to the Central Banks were not likely to be recovered within a short time.

As the Central Banks were unable to repay the Bank's debt, the Managing Committee of the Bank appointed a Sub-Committee to deal with the question of granting long term instalments for the repayment of the dues outstanding against them and some of the urban societies. The Sub-Committee made a report in September 1937 recommending long term instalments ranging from 12 to 16 years. The Sub-Committee's report was approved by the Managing Committee. Although long term instalments were granted to Central Banks, in the very first year there were defaults in as much as they had to meet withdrawals of deposits and naturally they postponed payment of instalment due to the Provincial Bank. Things dragged on like this till the middle of 1938, when some of the Berar Central Banks could not repay their deposits which became overdue. Nine central banks of Berar were not in a position to repay deposits and the Government at the request of the Provincial Bank and by notification dated the 3th October 1938 appointed a Committee on Berar Co-operation under the presidency of Mr. P. B. Gole, an Ex-Minister. The terms of reference were :—

- (1) To examine the position of the co-operative movement in Berar in general and of the finances of Central Banks in particular.
- (2) To suggest ways and means for a more remunerative management of the lands acquired by Central Banks, and
- (3) To make proposals for financial accommodation to those Central Banks, which are in need of it immediately or for some years to come.

The Gole Committee submitted its report on the 15th February 1939. Its main recommendations include disposal of lands held by Central Banks and societies by lottery, supersession of managements of Central Banks, writing down of debts due to the Provincial Bank by Rs. 10 lakhs, repayment of liabilities by means of 3 percent 30-Year debentures bearing Government guarantee both for principal and in-

terest, conciliation of debts due by members and bearing by Government the loss caused by conciliation of debts. These recommendations did not appeal to the Government, which issued a communique in September 1939, setting aside the said recommendations. The Government formulated its own scheme of rehabilitation and reorganization of the movement. The following principles of re-organization were laid down by the Government:—

(1) That the conciliation of liabilities should be in the main voluntary and should not be forced on any party.

(2) That every effort should be made to limit the losses to depositors.

(3) That the scheme should carry within it the germs for the revival and growth of the Co-operative Movement, so that if it is accepted and loyally worked by the co-operators, there may be a chance for the Co-operative Movement to rehabilitate itself.

The scheme may be described in brief as follows:—

(1) To determine the repaying capacity of each member and to find out the amount which he would be able to pay within a period of 25 years.

(2) The present debts of members should be reduced to the amount to which they can be expected to repay in 25 years on the basis of their repaying capacity. In return for this the members would be required to surrender the lands in their possession, which, however, would be given back to them again on hire-purchase system. Members who do not agree to this proposal will have to be proceeded against coercively for the recovery of the sum outstanding against them.

In the above manner it would be possible to make an estimate of the amount which each bank may hope to be able to recover out of the loan due by societies in 25 years. The present value of this amount calculated at reasonable rate of interest would be the value realizable out of the assets of each central bank. The next step would be to conciliate the liabilities of each central bank due both to the depositors and the Provincial Bank.

It was not intended that the loss in conciliation should be written off, but preference shares were to be issued in respect of the said loss. To facilitate the conciliation of liabilities, the Government introduced legislation providing that if the creditors to whom 66 percent of the liabilities are due accept the scheme, it would be binding on the rest. After the voluntary conciliation of liabilities cash payment 'pro rata' would be made to the creditors out of the cash assets

held by the banks. The balance of the scaled down amount would be converted into debentures repayable in 30 years and bearing interest at 3 percent carrying Government guarantee as to the payment of interest for 30 years.

The proposals stated in the communique issued in September 1939 did not receive unanimous approval. Besides, on account of the outbreak of war, it was hoped that the economic condition of agriculturists would improve on account of the rise in prices of agricultural produce and that land prices would rise. The Government further obtained expert advice of the Reserve Bank of India. They also consulted expert co-operators of this Province as well as those of other provinces including the Hon'ble Mr. V. Ramadas Pantulu.

The Government issued a second communique on the 26th March 1940 and enacted legislation, amending the Co-operative Societies Act. The main provision of the Act was with regard to the passing of the scheme of compromise or arrangement. The Registrar was given authority to confirm any compromise or arrangement, provided that the assenting creditors represented not less than 51 percent in value of all the creditors affected by the compromise or arrangement. Secondly, the Registrar was given power of staying suits filed by creditors against central banks for repayment of deposits. The Provincial Government agreed to guarantee interest at 3 percent or at a stipulated rate whichever is lower on debts of central banks reduced by compromise or conciliation to the extent of debtors' capacity to repay in a maximum period of 20 years from the date such proposals are accepted. Further the Provincial Government agreed to grant an annual subsidy of Rs. 1 lakh instead of Rs. 50,000 as stated in its previous communique for a period of three years in the first instance to meet the deficit, if any, in the working expenses of the central banks. The future management of the banks was to be in the hands of representatives of creditors, nominee of the Provincial Bank, representatives of the central banks with their affiliated societies, shareholders' representatives and the nominee of the Registrar. So far four central banks in Berar and four in C.P. have adopted schemes in the meetings of their creditors and the same have been confirmed by the Registrar. Other banks which have suspended payments have also passed the schemes, but they are being revised at the instance of the central banks themselves.

The Managing Committee of the Bank and the Board of Directors in their meetings held on the 14th April 1940 resolved to support the scheme of rehabilitation fully and to co-operate with the Government

in implementing it. In that meeting it agreed to bear *pro rata* the loss caused by conciliation of debts, provided its rights as a secured creditor were not interfered with, and provided further that the loss did not exceed a sum of Rs. 10 lakhs. It is feared that the loss may exceed the figure of Rs. 10 lakhs, but the same will be known only after the Registrar's enquiries are over and the balance sheet of Central Banks, which are under the scheme, are drawn up. Fortunately, the Bank on account of its sound management and large savings effected in the past has been able to create big reserves, which will enable it to tide over the difficult situation and come out strong. To help the co-operative movement the Provincial Bank has agreed to undertake crop loan finance in Berar.

**Land Mortgage Banks.**—The following statement gives the figures of advances due by land mortgage banks from year to year :—

Year.	Number of land mortgage banks.	Amount of loans outstanding.
		Rupees.
1933-34	2	11,708
1934-35	2	29,290
1935-36	10	1,35,877
1936-37	14	3,59,553
1937-38	19	6,63,068
1938-39	19	10,88,540
1939-40	21	12,57,796
As on 30-4-'41	21	13,71,403

The Bank has advanced up to date Rs. 15,84,334, out of which it has recovered up to date Rs. 2,12,931. Out of total advances outstanding, a sum of Rs. 12,181-12-3 is overdue against the land mortgage banks. It is gratifying to observe that the land mortgage banks have put in strenuous efforts to effect recoveries as far as possible by persuasion. They have resorted to special machinery provided for in the Land Mortgage Banks Act only when all other efforts failed to bring in recoveries.

In the beginning the Bank advanced loans to land mortgage banks at the rate of 6½ percent per annum; and they in their turn advanced to their members at the rate of 9 percent per annum. In the middle of 1934 the rate was reduced to 5 percent to land mortgage banks and 7 per cent to their members and the period of the loan was extended



from 16 to 20 years. On 29th August 1937, the Managing Committee of the Bank resolved to grant  $\frac{1}{2}$  percent rebate to land mortgage banks making punctual repayments. From 15th July 1938 the rate of interest was reduced to  $4\frac{1}{2}$  percent to land mortgage banks and  $5\frac{1}{2}$  percent to members. When the War broke out and the Bank had to sell debentures at an enhanced rate of interest, namely 4 percent it felt the necessity of raising the rate of interest on loans to land mortgage banks. The Managing Committee in its meeting held on the 14th January 1940, raised the rate of interest to 5 percent resolving further that the land mortgage banks should charge interest at 7 percent per annum to its members.

The Bank has so far issued six series of debentures of the total value of Rs. 15 lakhs. The first series was issued at  $3\frac{3}{4}$  percent, the second at  $3\frac{1}{2}$  percent, the third at  $3\frac{1}{4}$  percent and the remaining three of the value of Rs. 7 lakhs at 4 percent per annum.

**Sinking Fund.**—Under the terms of agreement the Bank is required to maintain a sinking fund to ensure repayment of debentures on maturity. Adequate provision has been made by the Bank setting apart from its funds yearly contributions to build up the fund. This has been invested in Government paper with the approval of the Registrar, Co-operative Societies, who is the Trustee to the debenture holders. The Bank holds nearly Rs. 80,000 in the Sinking Fund to-day.

**Growth of Deposits.**—When the Bank was established it was not allowed to accept deposits from the public as already stated elsewhere. On the first of August 1913 the Bank opened deposit business. Between this day and 1914 Rs. 5,51,000 were received in fixed deposits while the central banks to whom alone the Bank offered the privilege of keeping current accounts deposited a sum of Rs. 1,21,000. In the very first year of the acceptance of fixed deposits, the Bank could reduce completely its overdraft with the Allahabad Bank and besides it had a heavy surplus which it deposited with co-operative banks outside the Province. In that year large deposits were received by the Bank from Feudatory States, Dufferin Fund and the Court of Wards. Various charitable funds were also held by the Bank. All these deposits could be secured by the Bank mainly through the efforts of Mr. H. R. Crosthwaite, the then Registrar of Co-operative Societies.

The volume of deposits exhibits the extent of public confidence which the Bank has secured. The deposits from the general public began to jump up steadily and at the end of 1921-22 the Bank held nearly Rs. 15 lacs, whereafter there has been a steady increase in their

flow till 1924-25. There was a spurt in 1925-26 when the deposit figure rose to Rs. 23 lacs. A steady increase is noticeable till the year 1928-29 but during the next two years the deposits again fell by nearly Rs. 4 lacs. The fall was mainly due to the fact that the Government of India was borrowing money at a very high rate of interest. In 1931, the Government floated 6½% four year loan. Naturally, the public began to invest their amounts in that loan withdrawing their deposits from the Provincial and Central Banks.

The next eight years with the exception of the year 1934-35 when the Bank gave notices to individual depositors to withdraw their high rated deposits before due dates or to accept a low rate of interest then fixed by the Bank, witnessed a steady rise. Similar notices were given by the central banks to their depositors. The result was that fixed deposits to the tune of Rs. 3 lacs were withdrawn but in the savings bank there was an increase of nearly Rs. 4 lacs in that year.

The peak level of the deposits from the general public reached in the year 1938-39 when they rose to Rs. 73 lacs. So during the period of 9 years ending with 30th June 1938 the deposits practically doubled; but unfortunately thereafter on account of Berar debacle and the outbreak of war the depositors of the Bank became somewhat nervous and withdrew as much as Rs. 16 lacs. Some of the depositors withdrew money for investing it in industrial shares which immediately after the outbreak of the war offered them chances of making huge capital profits. The Bank felt no difficulty in meeting the withdrawals of deposits as immense liquid assets have been at its command since 1924-25. The Bank has all along been following the policy of caution and circumspection, and so except in the year 1921-22 it had had practically no difficulty in meeting withdrawals. The Bank now holds from the public deposits of the value of Rs. 56 lacs and from Central Banks and co-operative societies Rs. 13 lacs.

**Relations with Commercial and Co-operative Banks.**—When the Bank was established in the year 1912, it obtained a cash credit of Rs. 10 lakhs from the Allahabad Bank, Ltd., Jubbulpore, through the special efforts of Mr. Crosthwaite, the then Registrar of the Province. The cash credit was granted on the security of promissory notes of primary societies backed by those of central banks and further backed by that of the Provincial Bank. The rate of interest on the cash credit was 6% per annum. On the 30th June 1912, the Bank owed the Allahabad Bank Rs. 47,000 and odd. In the second year of the Bank's existence, the loan business of the Bank increased to Rs. 6,23,000 and hence the Provincial Bank had to draw upon that cash credit, to the extent of nearly

Rs. 3,20,000. On the 30th June 1914 the overdraft of the Allahabad Bank was Rs. 3,33,000. As the Bank was allowed to accept fixed deposits from the public, it was in a position to reduce the overdraft of the Allahabad Bank and besides to deposit Rs. 1,55,000 from the surplus funds with co-operative banks outside the Province. During the next two years, as the Bank began attracting larger and larger amounts of deposits, it did not need to borrow much from the Allahabad Bank; but in 1916-17 it had to draw upon the overdraft with that Bank on account of the tightness of the money market caused by the Government's floating war loans.

Besides the Allahabad Bank's cash credit, the Bank obtained a cash credit of Rs. 10,000 from the Bank of Bombay (now Imperial Bank of India) for the Akola Central Bank in the middle of 1918 on the security of promissory notes of the societies of an equal sum plus 25% margin backed by that of the Akola Bank for Rs. 10,000 and further backed by that of the Provincial Bank for a like amount. This cash credit was obtained for the Akola Bank for meeting its temporary requirements. These facilities granted to the Akola Central Bank continued till the end of the year 1922. Besides this small cash credit of Rs. 10,000, the Bank of Bombay, Akola, (amalgamated with the Imperial Bank of India in 1921) granted in the year 1918 a demand cash credit of Rs. 2 lakhs at its Akola Branch on security of demand promissory notes of the Berar co-operative societies of an equal sum plus 25% margin backed up by the Berar central banks' promissory notes of an equal sum plus 25 per cent margin and further backed up by the Provincial Bank's Pronote for a like sum. Interest on the cash credit was stipulated at 6% per annum to be charged on actual drawings only. The Bank did not find it necessary to draw upon that cash credit till August 1920, when on account of the heavy demand on the resources, it felt the necessity of getting the cash credit renewed. The first drawing on that account was in September 1920. The cash credit of Rs. 2 lakhs with the Imperial Bank continued till the beginning of 1916, when the Bank felt the necessity of getting it raised to Rs. 4 lakhs on the same terms and conditions on which the previous one was granted. The Bank continued to enjoy it at this enhanced figure till 31st March 1928, when the Imperial Bank reduced it to Rs. 2 lakhs, seeing that this Bank had stopped drawing money thereagainst during the period of six months ending with 31st March 1928. This cash credit continued till the year 1929, when the Imperial Bank cancelled it, as the Bank had practically stopped drawing upon it. The cash credit with the Allahabad Bank was also cancelled some time in the year 1923.

When the Bank's office was shifted to Nagpur in 1920, it began borrowing from the Bank of Bengal (Imperial Bank of India since Jan.

1921) Nagpur Office, on security of Government Paper at the Imperial Bank's minimum rate for demand loans. Some time later on the Bank felt the necessity of having accommodation with a bank in Bombay. It secured an overdraft account with the Bombay Provincial Co-operative Bank, Ltd., on security of Government Paper at the Bank Rate. That account has been very useful to the Bank mainly for developing its inland exchange business, and that of the central banks of the Province. It is already stated elsewhere in the article that since the year 1924-25 the Bank has been carrying heavy surpluses and the same were invested by the Bank from time to time either in Government Paper or in deposits with commercial and co-operative banks at the best possible rates of interest. The Bank's policy in this respect has been to invest money in terminable securities and in deposits for short periods, so that the question of providing for heavy depreciation should not arise. The Bank also invested its funds in Treasury Bills whenever it could get better rates of interest than those offered by commercial and co-operative banks on short term deposits. Now the Bank has deposits with big joint stock banks and apex co-operative banks of other provinces approved by the Registrar, Co-operative Societies. It has also opened current accounts with commercial and co-operative banks at different centres in India in order to facilitate the transfer of funds to and fro on commission. The relation of the Bank with those banks has all along been cordial. When the Bank's inland exchange business and the business of making advances on security of agricultural produce develop in future the Bank hopes to have business relations with several offices of commercial and co-operative banks in India.

**Inspection.**—One of the special features of the Bank is that it arranges for the inspection of the central banks through one of the members of its senior staff. In the first few years of its existence the Manager used to be the inspecting officer. The inspections were very useful to the central banks in as much as the staff of the central bank received intelligent guidance from the inspecting officer of the Provincial Bank. As the Manager's presence was required at the headquarters all the year round the Bank appointed a special officer to inspect the central banks on the 1st December 1922. Since then the Bank has on its establishment an Inspector who visits central banks and urban societies which have been directly affiliated to the Provincial Bank. To the Bank he gives first hand information about the working and financial position of the inspected concern and to the latter it is very useful in as much as the staff receives instructions in the technique and practice of banking which enables them to maintain their books in an up to date manner and follow up to date banking methods.

**Training of Graduates.**—Every year the Bank takes for training young Graduates in practical banking and after they are trained, they are given responsible jobs. A training for a period of two years gives them full knowledge of the working of the Bank and they are in a position to work in responsible posts. One such graduate has been managing the Pay Office of the Bank at Narsinghpur since January 1940. The Bank has decided to open four branches in the Province and these trained men will be provided for in these branches.

**Library.**—The Bank maintains a fairly big library of books on co-operation, economics, banking, currency, finance, law, book-keeping and several other subjects. The staff gets the benefit of this library. The authorities allow also students interested in co-operative activities to use the books of this Library without any fees. The Bank subscribes for a number of periodicals on co-operation and banking. Every year the Bank spends Rs. 200 to 300 on books and periodicals.

**Special forms of Co-operation.**—A Sub-Committee was appointed by the General Meeting of the Bank to devise ways and means for investing the Bank's surplus capital. The members of the Sub Committee were the Chairman, the Registrar, Co-operative Societies and the Late Sir Sorabji Mehta, one of the members of the Managing Committee and the ex-manager of the Empress mills. The Sub Committee recommended that landholders' societies, societies of grain dealers and housing societies should be organised and financed by the Bank. Mr. M. L. Kocher, one of the active co-operators of the Province organised two societies at Narsinghpur, one for the land holders, and the other for grain dealers.

A few co-operative housing societies were organised at Akola and Khamgaon. Mr. G. A. Bhonsule, Manager of the Bank organised a housing society at Nagpur. The first housing society was started by some of the pleaders of Akola. Another society also was started by pleaders at Khamgaon in 1926. A third one called the Ramdaspath Co-operative Housing Society came into existence in the year 1930. At Amraoti, a Housing Society of Government and Municipal employees was started, in the year 1928. The Housing Society at Nagpur founded by Mr. G. A. Bhonsule was registered in 1930. In the beginning, it did not receive any response from the public. Since the year 1930-31 the Society has been progressing steadily, on sound and safe lines. In the beginning the share capital of the Society was Rs. 1,400. Now it is over Rs. 1. lakh. Steady increase is found in its deposits. During the course of the last 10 years it has financed its members to the extent of nearly Rs. 8 lacs, and more than 200 houses have been built with its aid.

The older institutions viz., the Akola Housing Society and Amraoti Housing Society have been liquidated as they were not managed on sound and safe lines and co-operative principles were never observed. The loans advanced were practically beyond the paying capacity of the members. The liquidation proceedings are still going on. The Bank is likely to lose some money in the Amraoti Housing Society.

The above societies, however, could not absorb more than Rs. 3 lakhs out of the Bank's surplus.

**Pension Payments.**—Since June 1932 the Bank has been paying pensions to pensioners, charging a small commission for this service. Now more than 300 pensioners are taking advantage of this facility. Immediately after they present their pension bills, payment is made to them, and they are not required to wait in the Bank's office for more than 15 minutes to receive their pensions.

**Deposits of Public Bodies.**—In the year 1928 the Government placed this Bank in the approved list of Banks for depositing the Provident Funds of Municipal and Local Board Employees. They have thus shown their confidence in the soundness and stability of the Provincial Bank. These deposits amount to nearly Rs. 20 lakhs.

**Constitution and Management.**—When the Bank was started its shares were purchased by individuals, Court of Wards and the Allahabad Bank Ltd. Naturally the Bank was managed by a Board of Directors consisting of their representatives only. The co-operative element appeared on the scene only when shares were sold to central banks and their affiliated societies. The Bank redeemed portion of the share capital held by individuals in 1917 and allotted the same to central banks and societies. Naturally, the representatives of these bodies were taken on the directorate. Suitable amendments were made in the byelaws so as to include in the board, representatives of central banks. No direct representation was given to primary societies as the representatives of central banks also represented the interests of the societies. During the period of two years since 1917-18 the Board consisted of the Governor of the Co-operative Federation, nine representatives of the individual shareholders and one representative from each central bank together with its affiliated societies. This mixed board continued to function till 1918-19 when after the redemption of the remaining shares held by individuals, the individual element was eliminated from the Board, and since 1919-20 till the year 1925-26 the Bank began to be managed by the representatives of co-operative bodies only, viz. by the Governor of the Federation and 32 representatives, representing central banks together with their affiliated societies. When

in 1925-26 the Bank admitted to membership individual shareholders, naturally the directors representing them had to be taken on the Board. They were four in number. This constitution of the Board continued till the year 1934-35, when the Bank undertook the land mortgage banking business and commenced functioning as the Central Land Mortgage Bank of the Province. The Government, to guard its own interests, made proposals to the Provincial Bank for taking the Registrar, Co-operative Societies and the Financial Secretary as the *ex-officio* members of the Bank, of the Board and of the Managing Committee. In 1939 five representatives of land mortgage banks were taken on the Board. But they can attend the meetings only when business relating to land mortgage banking is transacted. To sum up the Board now consists of the Governor of the Federation, thirty-five representatives of the central banks, four representatives of individual shareholders, five representatives of land mortgage banks, the Registrar, Co-operative Societies and the Financial Secretary to C. P. Government.

As the Bank's Board became unwieldy, it was thought desirable to appoint a small committee of five to be elected by the Board every year from their own body. This was done in 1919-20. Necessary amendments were made in the bye-laws of the Bank in the year 1920-21 and since that year the Managing Committee became the virtual managing body of the Bank. In 1931-32 a proposal was made from some quarters that all the divisions of the Province were not represented on the Managing Committee and hence an additional seat be created in the Managing Committee. This was done in the year 1932-33 by raising the number to seven. When the Bank undertook financing the land mortgage banks by passing a resolution at its General Meeting held on the 16th September 1934, the nominee of the Government and the Registrar of Co-operative Societies were taken on the Managing Committee for the purpose of land mortgage banking business.

In 1936 the Registrar of Co-operative Societies was made an *ex-officio* member even for the purpose of other business of the Bank. An additional member was added to the Managing Committee to represent land mortgage banks by the Bank's Annual General Meeting held on the 19th February 1939. Now the Managing Committee consists of nine members consisting of six representatives of central banks including the Chairman, one representative of land mortgage banks, the Financial Secretary to Government and the Registrar of Co-operative Societies.

The Board meetings are generally held twice a year, while those of the Managing Committee once in a month. The meetings are well attended. The members do not get any sitting fees; but they are allowed to draw actual travelling expenses.

**Future.**—The Bank is not satisfied with the progress so far made. It is quite alive to its drawbacks. It has still to cover a long ground and to take an active part in the solution of problems relating to rural finance. Facile credit is no solution of the rural problem. The primary producer should get the highest possible price for his produce. Unfortunately no attempts have been made in this Province to tackle the problem of co-operative marketing. The Bank at the request of the Government appointed a Sub Committee to frame a comprehensive scheme of co-operative marketing. Information relating to the working of co-operative marketing societies in other provinces is being collected. As soon as this is done, the Sub Committee will commence its sittings and frame a scheme.

Since January 1940, the Bank has been financing traders of Narsinghpur, Kareli and Gotegaon towns situated in Hoshangabad District. During the period of first six months, it made a business of nearly Rs. 1,70,000. During this year it hopes to have at these three places over a total business of Rs. 4 lakhs. The Bank has commenced financing traders at Nagpur on security of their grain. This business and the inland exchange business will give the Bank additional income which will help it to gradually wipe off the losses caused on account of the Berar debacle. The Bank is thinking of doing urban banking business in rural areas also. As an earnest, it is going to advance about Rs. 15,000 this year to the Multipurpose Society at Dhangidana through its Pay Office at Narsinghpur. If this business proves profitable, attempts will be made next year to make advances in other rural areas of the Province.

To develop this business additional facilities have to be given to merchants. Big merchants who consign their grain to port towns or other big places for sale draw hundies against it. These merchants require discounting facilities. So long the Provincial Bank could not discount their hundies as there was no provision in the byelaws to do that business. Now the Registrar of Co-operative Societies has sanctioned the amendment to the byelaws allowing the Bank to discount bills of exchange, cheques, hundies etc., with his previous consent. This business will enable the Bank to develop the urban banking business. Now that the Provincial Bank will commence discounting hundies, big grain merchants will come to it for taking advances against grain.

The Bank functions as the real apex co-operative banking institution of the Province. It makes advances to central banks, co-operative housing societies, two societies of big land holders, salary earners' societies, crop loan societies and individuals. But no loan is advanced without tangible security. It is also a balancing centre and a clearing house for central banks. The central banks which have got surplus funds



deposit them with this Bank. They get on their Fixed Deposits made with this Bank, interest a quarter per cent more than the rates allowed to the general public. They also get an attractive rate of interest ( $3\frac{1}{2}$  per cent) on their fluid resources and reserve funds and those of the societies deposited with the Bank in the name of the Registrar, Co-operative Societies.

The Bank effects transfers on behalf of the central banks at specially reduced rates of commission to their accounts maintained with other banks for facilitating their inland exchange business.

The Berar central banks which have suspended payments are not in a position to finance societies. The Bank has, therefore, decided to make advances to crop loan societies after getting them affiliated to itself. Although the Provincial Bank will be directly financing the crop loan societies the benefit of this business will also be reaped by the Central Banks. The Provincial Bank has agreed to part in favour of the Central Banks interest by way of commission at the rate of 3 per cent in consideration of the latter's rendering the former services in the matter of organisation, finance and effecting recoveries.

As already stated elsewhere in this article, the Bank is likely to lose over Rs. 10 lakhs as a result of conciliation of debts due by members of Berar societies. It has agreed to charge interest at the rate of 3 per cent to seven banks in Berar and at 2 per cent to two banks which have suspended payment. It has also agreed to charge interest at 2 per cent to three C. P. Banks which suspended payments and brought under the Government scheme. Naturally as a result of lowering of the rates of interest on loans, profits of the Bank will be considerably reduced in future. The Bank has already taken new branches of banking business. When it gets experience of the several lines of business that is being done under its present byelaws it will, with the previous permission of the Registrar of Co-operative Societies undertake other lines of banking business.

When the urban banking business develops fully, the Bank will be able to add considerably to its income and thus it will be possible for it to gradually reduce the losses that it will have to bear as a result of conciliation of debts, and lowering of rates on debts due by Central Banks.

Under the guidance of the distinguished co-operators who form the Managing Committee, the Bank will continue to grow from strength to strength and will in future serve the best interests of the urban as well as rural population with the same zeal and ability that it has shown in the past.

# PROGRESS OF THE CENTRAL PROVINCES AND BERAR PROVINCIAL CO-OPERATIVE BANK,

(Figures are in hundreds.)

Particulars.	1911-12	1915-16	1920-21	1925-26	1928-29	1930-31	1931-32	1935-36	1938-39	1939-40
Share Capital	Rs. 2260	2994	6012	6058	6267	6130	5838	5360	5197	5186
Reserve Fund and Other Reserves	" 11	450	1017	3345	3729	2871	2892	10972	14066	14578
Fixed deposits from Central Banks and Societies	"	643	12181	8382	11226	6424	7622	11752	11040	10025
Fixed deposits from individuals	"	8546	10229	19946	25040	21551	20443	36316	51949	42336
Akola Mortgage Debentures	"		893	10						
Savings Bank Deposits	"		11	2558	5527	7013	6432	17848	18065	13781
Current Account Deposits	"	4162	166	966	3863	4821	4303	4406	4357	3711
Provident Fund Deposits	"	7	16	113	132	245	230	414	542	588
Registrar's Deposits			4020	31690	45067	48908	45400	54311	48125	46570
Silver Jubilee Bonds									2515	2596
Investments in Govt. Securities	"	420	7959	50877	71845	66433	70853	59374	65500	59670
Investments in Co-operative and Commercial Banks	"	7976	3418	—	10325	4775	1200	37750	28900	25950
Investment in fluid resource			515	6104	7065	7756	8125	9789	11175	11566
Loans and Cash credits due by the Central Banks and Societies on 30th June each year	"	2723	29476	26452	13107	21517	24620	32974	45791	41597
Loans due by individuals	"	4%	—	—	—	169	376	424	1380	3587
Rate of dividend declared	"	4%	6%	6%	6%	—	6%	5%	4½%	4%
Profit of the Year	"	7.5	798	620	465	7	504	494	682	780

## THE C. P. &amp; BERAR PROVINCIAL

*Statement of affairs as*

S. No.	A s s e t s.	A m o u n t.
		Rs.
1.	Cash in hand with Bankers ..	2,85,611
2.	Fixed Deposits with Co-operative Banks earmarked against Registrar's Deposits ..	1,25,000
3.	Fixed Deposits with Co-op. & Commercial Banks other than above ..	34,85,000
4.	Govt. & other securities earmarked against Registrar's Deposits. (Market Value Rs. 37,79,740 -) ..	35,35,889
5.	Govt. Securities representing Reserve Fund ..	5,25,417
6.	Govt. Securities pledged with other Banks ..	1,50,000
7.	Govt. & other securities other than those mentioned against 4, 5 & 6 ..	30,768
8.	3¼% P. B.'s Debentures III series ..	38,000
9.	P. B.'s fluid resource deposited with the Registrar, Co-operative Societies, C. P. and Berar ..	11,97,220
10.	Loans & Cash Credit due by Central Banks and Societies ..	41,18,533
11.	Loans due by individuals ..	2,57,187
12.	Narsinghpur Pay Office advances ..	2,51,574
13.	Building, furniture and fittings ..	73,121
14.	Interest accrued to the Bank ..	1,99,263
15.	Other items ..	1,29,987
Total		.. 1,44,02,570

## CO-OPERATIVE BANK, LTD., NAGPUR.

on 30th April 1941.

S. No.	Liabilities.	Amount.
		Rs.
1.	Share Capital	.. 5,08,848
2.	General & other Reserves	.. 15,55,258
3.	Fixed Deposits from Central Banks & Socs.	.. 8,61,608
4.	Fixed Deposits from persons other than above	.. 38,30,499
5.	Ten Years Silver Jubilee Bonds (Face Value Rs. 3,38,600/-)	.. 2,59,639
6.	Savings Bank Deposits	.. 15,41,896
7.	Current Deposits	.. 6,80,838
8.	Registrar's Deposit (Representing partly Reserve Fund of Central Banks & Societies and partly fluid resource of Central Banks and Provincial Bank).	.. 38,86,813
9.	Registrar's Loan Deposits	.. 4,71,683
10.	Registrar & Trustees Sinking Fund Deposit	.. 1,744
11.	Land Mortgage Banks Dept. Account	.. 1,42,938
12.	Provident Fund of P. B. & C. B. Employees and other like funds	.. 3,78,143
13.	Sundry Creditors	.. 37,614
14.	Interest due by the Bank	.. ..
15.	Other items	.. 2,09,462
16.	Bombay P. B. Overdraft	.. 34,310
17.	Balance of profit	.. 1,277
Total		.. 1,44,02,570

## THE MADRAS PROVINCIAL CO-OPERATIVE BANK

By

T. RAGHAVENDRA RAU,

*Secretary.*

The Madras Central Urban Bank Ltd., (the name by which the Provincial Bank was known till 1931) was started on its career in a period of fierce financial storm that overtook the snug complacency of the earning and saving community of Madras. Arbuthnot & Co., an English company of merchants who were also carrying on banking business on a large scale, crashed all of a sudden in 1906 ruining many a family. Its fall was about to bring down another English concern similarly constituted, but its devastating onslaught was stemmed by the timely interference of the public of Madras, who constituted a Committee of Management and elected Sir V. C. Desikachari as the Indian representative to manage the affairs of the Company and thus saved it and the public from ruin. Sir V. C. Desikachari has attained renown for his ability and financial integrity in dealing with funds belonging to public institutions.

Mr. (later Sir) P. Rajagopalachari, the first Registrar of Co-operative Societies, pitched upon Sir V. C. Desikachari to start, guide and control a financing institution for the Co-operative Movement. Sir V. C. Desikachari, who had a genius for finance, eagerly came forward to start a bank with a Board consisting of men in the forefront of public life in the city. He suggested for the Presidentship of the Bank Dewan Bahadur K. Krishnaswami Rao, who had been Dewan of Travancore and had just retired, and he held the office of the President till November 1921. As the Vice-President of the Bank was selected the Hon. Nawab Syed Mahomed, a member of the Imperial Legislative Council and the President of the abortive session of the Indian National Congress at Surat. Sir P. Theagaroya Chetty, who later became the leader of the Justice Party, and Mr. T. V. Seshagiri Iyer who later became a judge of the High Court, were the other members of the Board. Sir V. C. Desikachari was of course the secretary. Those were days free from communal bickerings.

**Constitution and Management.**—The Madras Central Urban Bank was registered under the Co-operative Credit Societies Act X of 1904 as an Urban Society on limited liability by the Registrar on the 23rd

November, 1905. The Act of 1904 did not permit the registration of a "Central" Bank as understood now and hence its registration had to be authorised by the Local Government under the special Section 29 of the Act on the 19th October, 1905. The name of the Bank at the time of its registration did not reveal the real character of the institution. It was more than "Central," as the term is understood in co-operative literature, since its area of operations even from its inception extended to the whole province of Madras. It was not "Urban" except in location; and it did not lend to individuals. Another peculiarity was that the term "co-operative" was not part of its name.

The Bank was started with the specific aim of financing all registered societies in the province of Madras. It adopted very simple bye-laws, 20 in number, and none but individuals held all the shares. After the report of the MacLagan Committee was published, there was an agitation for admission of societies as shareholders with consequent rights in the management. There was a furious controversy on this question and the individual shareholders stressed that the admission would spell ruin to the institution in as much as the societies which are essentially borrowers could not be entrusted with the management of others' funds.

There was pressure from the Government and a veiled threat to organise a rival bank. The outlook of the shareholders could be easily imagined. The ownership of the Bank was till then in the hands of individuals and additional shares were being floated at a premium. There was no limit placed on dividends, though the bank never declared at any time more than 12 per cent even while the profits permitted a better rate and the shares exchanged hands at high premium.

The Bank entered on its second phase with the passing of the resolution of the General Body, dated 31st March 1917, to admit co-operative societies as shareholders, with certain safeguards granted to the original individual shareholders who were styled preference shareholders. Provision was introduced for the elimination of the preference shareholders by purchase of their rights from profits at a fixed premium of Rs. 60 per share of the nominal value of Rs. 100. They were guaranteed a preferential dividend of 9 per cent, the maximum dividend under the rules in force, and a preferential right also to the capital in the event of liquidation. Another condition imposed was that the rate of interest on loans, the main source of income, should not be lowered without the sanction of Government. In return therefor, new ordinary share capital to the extent of Rs. 4 lakhs was created which could be allotted at par only to co-operative societies, and the representatives of societies were given three seats on the Board of Manage-

ment. The strength of the Board which was originally five was raised to seven in March 1910 and to nine in 1917 as part of the constitutional changes, throwing open the membership to societies, 3 places being reserved for them. The new constitution came into force on 1st April 1917.

After 20 months from the date on which the new constitution came into force, it was found that only 72 societies out of 2,816 had taken up ordinary shares for Rs. 12,900 and on the 30th June, 1920, the amount of paid up capital of the societies was only Rs. 14,620. Some societies had defaulted in payment of share calls also. The response by primary societies being discouraging, the idea of bringing them into the Madras Central Urban Bank was abandoned and the Registrar ordered the postponement of the purchase of preference shares.

The next step in the development of the Bank dates from July 1920, when it was decided that Central Banks alone should be admitted as members. Mr. Hemingway, the Registrar, in 1919 outlined a new scheme of federating the Central Banks into a central organisation of their own; in other words to convert the Madras Central Urban Bank into a real Provincial Apex Bank. The redemption of preference shares commenced in 1923 and was continued till 1925 when each individual was left with only one share of the face value of Rs. 100. The first Central Bank was started in January, 1909, and today there are 32 Central Banks affiliated to the Provincial Bank including the two whose area of operations was transferred from Madras to the new Orissa province but still financed by the Madras Provincial Bank in the absence of a Provincial Bank for Orissa. Of individuals, there are now only 184, each owning one share.

From 1st July, 1920, when the bank was transformed into a federation of Central Banks, the Board of Management was reconstituted. The strength of individuals on the Board was fixed at 50 per cent of the number of representatives of Central Banks, (each of which was entitled to send one) subject to a minimum of 12. Dr. S. Swaminadhan became the President of the Bank in November, 1921 after it was so transformed and held the office till October 1926.

The unwieldy size of the Board necessarily led to the creation of a smaller body to carry on the day to day administration of the Bank. This small body was designated the Executive Committee, which consisted of nine members and practically exercised all the powers of the Board. Till 1925, six members of the Committee had to be residents of Madras which therefore gave a great advantage to representatives of preference share-holders, though under the bye-laws there was no

bar for a representative of Central Bank with that qualification to get into the Committee. In 1926, there was again a wholesale revision of the byelaws which reduced the number of representatives or individuals on the Board to five and laid down that the majority or the members of the Executive Committee should be representatives of Central Banks and also limited the city residential qualification to the President, Vice-President and one other member, with the result that there were always six representatives of Central Banks on the Executive Committee. After the constitution was thus revised, the Hon'ble Mr. V. Ramadas Pantulu became the President of the Bank and held office till April 1941. Till 1938 the election to the seats on the Board was compartmental, i.e., the preference shareholders elected their representatives in a separate meeting and the Central Banks sent their representatives direct. The next stage was marked in 1938, when on the 7th August, 1938, the General Body resolved that the representatives of preference shareholders on the Board should also be elected by the composite General Body and prescribed the qualification of residence in the city only to two members of the Executive Committee. One of the two important office-bearers, the President or Vice-President, could be a representative of Central Banks.

Regarding the representation of Central Banks, the General Body, by a convention established in 1929, made the Executive Committee representative of the different districts by suitably grouping them. The Executive Committee in office for the triennium 1938-41 consists of only one representative of Preference Shareholders and eight representatives of Central Banks.

It is a recognised principle of co-operation that no member will have more than one vote or will be permitted to vote by proxy; but strangely enough the Act X of 1904 and Act II of 1912 permitted plurality of votes in limited liability societies. The constitution of the Madras Central Urban Bank was not changed till 1917 when societies were admitted and it was then that the principle of votes according to the number of shares held and voting by proxy was introduced with a view to safeguard the interests of the societies whose number was small though they had a large shareholding. The Madras Act VI of 1932 did not permit such deviations and the Local Government had to approve of the particular bye-law of the Provincial Bank under its special type of constitution. The plurality of voting and proxies were restricted to the General Body. Both in the Board and the Executive Committee, the rule of one man one vote is adopted.

**Growth of Share Capital.**—The original byelaws of the bank fixed the authorised share capital at Rs. 25,000 divided into 50 shares of



Rs. 500 each. No one could hold more than 2 shares each and the amount of share was payable in instalments of Rs. 50 as and when calls were made. On 31st July 1907, the limit of individual holding was raised to five shares of the nominal value of Rs. 2,500 and again in August 1910, the limit was raised to Rs. 5,000. It continued to be so till 1920 when the bank was converted into a federation of central banks and the maximum holding per central bank was fixed at Rs. 30,000. The Co-operative Act prescribes a maximum holding of Rs. 1,000 for any individual in the shares of a society but the Madras Central Urban Bank was treated with special consideration by Government.

Starting with a capital of Rs. 25,000 in 1905, part of which only was called up, it was successively raised to Rs. 50,000 in August 1908, to Rs. 1,00,000, in March 1910 and to Rs. 2,00,000 in September 1911. The face value of the new issue was fixed at Rs. 100 in 1910 and floated at a premium of 10%. In 1917 when societies were admitted, issue of new ordinary shares to the maximum of Rs. 4 lakhs was authorised thus raising the authorised capital to Rs. 6 lakhs and on the 6th October 1928, the maximum was again raised to Rs. 7 lakhs with a view to allot more shares to Central Banks to enable them to retain their seat on the Board under the bye-laws. The annexed table shows the growth of the share capital and reserve fund :

		Share Capital	Reserve Fund after audit
		Rs.	Rs.
31st March, 1906	..	4,200	5
30th June, 1910	..	82,000	10,848
„ 1915	..	2,00,000	91,000
„ 1920	..	3,44,120	1,58,700
„ 1925	..	5,94,700	5,00,000
„ 1930	..	6,19,750	10,23,000
„ 1935	..	6,58,750	15,25,000
„ 1940	..	6,65,600	19,00,000

The primary societies which held shares having been denied representation on the Board from 1920 were induced to transfer their holdings to the Central Banks. Still in 1937, there were 25 societies holding 83 shares and by a resolution of the Board, dated 4th December 1937, their shares were redeemed on 1st February, 1938. Thus the present share capital of the Bank Rs. 6,66,500 is held by 32 Central Banks and 184 individuals holding each one share of Rs. 100.

The Bank has been paying substantial dividends on the paid-up share capital. For the period ending 30th June, 1907 and 1908, a dividend of 10 per cent was paid and later at 12 per cent per annum till 1914, when the Local Government by a rule fixed the maximum at 9 per cent, which has been paid continuously.

**Deposits.**—The Bank has been very successful in the mobilisation of deposits. Except for short periods on two occasions, once in 1921 and a second time in 1931 and that for world-wide causes the Bank had never any difficulty in obtaining deposits. The Bank at its commencement was receiving only Fixed Deposits. This is as it should be, as in agricultural finance, the money gets locked up for a longer period than in commercial transactions.

The peak year under fixed deposits was in 1933, when it touched Rs. 110 lakhs. As mentioned elsewhere the loan business reached the peak figure of Rs. 123·5 lakhs in May 1930. Then the economic depression with phenomenal fall in prices of agricultural commodities set in. In 1931 the demand for loans fell and old loans were collected, resulting in unremunerative surpluses with financing banks, the refusal of fresh deposits and cutting down of borrowing rates.

From July 1911, the bank decided to open *Current Accounts* and then it was that the writer of this article entered service of the bank as Accountant. Interest was paid at 3% on daily balances consistently with the then fixed deposit rate of 6%. Till 1926, the same rate of interest continued, but as a consequence of reduction of rates all round, the rates passed through various stages at times varying between the two half-years of the calendar year and settled itself at one per cent for sums up to Rs. 50,000. Central Banks got interest on balances exceeding this figure at a reduced rate.

Next comes in importance the deposits of Reserve Funds of societies and Central Banks. With the stoppage of direct advances to societies, their reserve funds were made over to the respective Central Banks and at present the balance of deposits of about Rs. 33 lakhs represents primarily the reserve funds of Central Banks only. The deposits would have been more but for the fact that in accordance with the wishes of certain central banks, the Provincial Bank agreed to permit Central Banks to invest fresh accretions to reserve fund in debentures of the Madras Co-operative Central Land Mortgage Bank as the funds are available for long term investment. The rate of interest paid has been always higher in comparison to deposit rates. From 5 per cent per annum in 1911, it was raised to 5½ per cent in 1913 and 6 per cent in 1921. Thereafter it gradually dropped to the present level of 3 per cent.

Various other schemes of Savings Deposits for encouraging thrift have been opened ; but two of them were suspended when it was found that the Bank could not offer attractive rates. *Prudential Deposits* (commonly known as Savings Bank accounts) came to be opened in 1916 on which rates of interest have been however reduced from 4½ to 2½ per cent. *Recurring Deposits* encouraging savings month by month for periods varying from one to seven years were accepted from 1913 to 1927. *Provident Deposits* on the same principles as recurring deposit accounts, but for periods ranging from 7 to 30 years, were accepted from 1924 to 1933.

#### GROWTH OF OWNED CAPITAL, DEPOSITS AND PROFITS

Year ending	Paid up Share Capital	Deposits and other borrowings	Reserve Fund after audit	Book Profit
	Rs.	Rs.	Rs.	Rs.
31st March, 1906.	4 200	500	5	20
30th June, 1912.	2 00.000	18 99.973	42 000	42 537
30th June, 1920.	3 44.120	50 72.146	1.58 700	70 054
30th June, 1925.	5 94.700	1.00.80 867	5 00 000	2.10 298
30th June, 1930.	6.19.750	1.63.44 933	10.23 000	2.44 140
30th June, 1935.	6 58.750	1.49.48 420	15 25 000	2.04 461
30th June, 1940.	6,65,600	2,28,55,766	19,00,000	2.38,206

**Loan business and policy.**—The Act of 1904 did not prohibit loans to individuals by the Madras Central Urban Bank but in keeping with the object of the promoters of the bank, lending was restricted to co-operative societies. The original byelaws of the Madras Central Urban Bank did not provide for loans to individuals. In August 1908, however, the byelaws were amended enabling the bank to grant loans to individual members of the bank on the security of their deposits or on Government Securities, to the extent of 90 per cent and 80 per cent respectively, reserving a very safe margin for fluctuations, judged by the standards of commercial banks.

The first Co-operative Central Bank in the province was started in 1909. Till 1920, loans were granted both to Central Banks and to societies in districts where there were no Central Banks. From 1920 onwards loans were issued only to Central Banks. In November 1920 special permission was granted by Government to lend to non-member depositors against their deposits and in January 1931, the privilege was

extended to loans on pledge of Government Securities as well. Government has, however, reserved to itself power to withdraw at anytime the concession so far as it relates to non-members. The Madras Act VI of 1932 permits loans to any individual on the security of debentures of co-operative societies.

The Madras Provincial Co-operative Bank has during the last 35 years helped various kinds of co-operative societies with loans which may be classified as under:—

1. Rural finance.
2. Long term or mortgage finance.
3. Industrial finance.

From the early years up to 1920, the bulk of loans granted by the Bank to primary societies and Central Banks were of a long term nature, ranging from 7 to 10 years. In 1921, and 1922 owing to financial stringency during the postwar period, only short term loans were granted to Central Banks (Loans to societies having been stopped after the conversion of the Bank into a Provincial Bank); but with the easing of the financial position, grant of long term loans for 5 to 12 years was resumed, though loans for periods of five years began to preponderate. Since 1927, the bank's policy has undergone a definite change and loans are granted mostly for a period of 1 to 3 years and in special cases up to 5 years, as will be seen later.

**Rural finance.**—So long as the Provincial Bank was directly financing societies, the scheme resembled the Takavi Loans of Government. It was a simple procedure. The loan was granted initially for 2 years on the recognised assumption that if 1/10 of the principal together with interest was paid at the end of every year, the borrowing society was entitled to automatic extension for another year. Therefore all loans to societies were virtually for 10 years.

When Central Banks came to be constituted, it was expected that they would take over the financing of societies within their jurisdiction, and the Madras Central Urban Bank would lend only to societies in areas where Central Banks had not been organised. There was a controversy whether the Central Banks should take over, as a matter of course, all the loans of societies till then advanced by the Madras Central Urban Bank, without investigating into their financial condition or whether the Central Banks had any option to pick and choose. The Madras Central Urban Bank insisted that Central Banks should have no option as the ultimate responsibility for all loans was laid on the Co-operative Department. However, it ended in the Provincial Bank being left with a few loans to live and liquidated societies but the loss incurred by the

bank in bad debts has been very small, viz., Rs. 8,635 for all these years. None of societies' loans are outstanding at present.

The terms of transfer of societies' loans to Central Banks were that they should undertake to clear the entire dues in 7 years and execute their own promote with interest at 7% per annum while the loans to societies carried interest at 7½%, the difference being appropriated by the Central Banks. All the Central Banks which undertook such liability to the extent of Rs. 19.2 lakhs have cleared their dues except only two operating in dry tracts which owe the Provincial Bank still a sum of about Rs. 20,000 under such loans (i.e., transferred loans).

The scheme of long term loans as applied to societies was not the same as that for Central Banks. The Central Banks were asked to repay the loans mostly in five years and they were not subject to extension year by year. Till 1921 which proved to be a critical year, no difficulty was experienced by the Provincial Bank, but in that year it had to refuse long term loans. Though issue of long term loans was resumed after 1922, the continuous growth of overdues in societies led to the necessity of enquiring into the objects of loans, and restricting them to productive purposes. Propaganda by periodical conferences led to the revision of policy by the Provincial Bank. The adherence to the above principles is marked by the departmental revision of the forms for preparation of annual accounts in 1925. Till then, the Central Banks had been continuing the scheme of 10 year loans to societies, and there were violent protests against their discontinuance from central banks especially in dry areas like Chingleput, North Arcot, Anantapur, etc. The Provincial Bank was unwavering and by persistent advocacy of the benefits of its policy was able to carry conviction to all the affiliated central banks in course of time. Co-operative opinion has now settled down to the conviction that the central banks and the Provincial Bank handling short term funds can at best undertake short and intermediate loans extending up to 5 years and that discharge of prior debts, reclamation and improvement of land, etc. form the proper field for land mortgage bank finance. Subsequent to 1922, there was another period of financial strain on the Provincial Bank in 1931, when Britain went off the Gold Standard. Till then, there was a regular inflow of deposits, but during the period preceding the crisis the scare on the public was so great that there was a rush of applications for loans from Central Banks for repayment of deposits. The Provincial Bank itself, nearing the tether of its entire resources, was compelled to apply for a short term loan of Rs. 10 lakhs from the Imperial Bank of India which, after some correspondence for about two months, was ultimately refused. But even before the refusal, the Government stepped into

the breach as the situation had become serious, the Provincial Bank having declared that loans for normal financing of societies was temporarily suspended and was holding up applications for repayment of deposits in abeyance for want of funds. The peak figure under loans to Central Banks, i.e. 123.5 lakhs was reached in May 1930. But the situation calmed in a few months and from July 1931, the history of the Provincial Bank's finance has been one of surpluses and a steady reduction of deposit rates and lending rates side by side.

The loan policy of the Provincial Bank from the time direct loans to societies were stopped has been that of recognising the autonomy of Central Banks and leaving them to make their own arrangements without external aid for repayment of deposits. While there is no rule that no loan should be granted to Central Banks for repayment of deposits, the Provincial Bank has successfully maintained the view that if central banks after disbursing loans to primaries from deposits approach the Provincial Bank for a loan to return those deposits, it might result in the Provincial Bank being involved in the financial difficulties and lead to indiscriminate loans by central banks.

The period between 1929 and 1931 also was one when restrictions came to be imposed by the Imperial Bank on the credit facilities till then granted to co-operative banks. Since the inauguration of the Co-operative Movement, Government and the Department were able to influence the Imperial Bank, functioning as the State Bank, to grant adequate credits to the banks. The Imperial Bank had granted a credit limit of Rs. 17 lakhs to the Bank apart from separate limits to Central Banks on the cover of co-operative paper. In 1920, the Imperial Bank tried a scheme of concentrated overdraft to Central Banks on the guarantee of the Provincial Bank, but the scheme was however suspended after one year's trial. The cash credit of Rs. 17 lakhs on co-operative paper was sought to be curtailed in 1929 and the Imperial Bank decided that the limit will be extinguished in 5 years in equal instalments and that renewal of fresh credits would be granted only on the cover of Government Securities. The immediate repercussion of the proposal was one of wide protests from the co-operative banks. The Provincial Bank organised a joint protest and directed the Central Banks not to comply with the circular of the Imperial Bank in lodging Government Securities and undertook to supply the retrenched credit. This state of affairs did not last long, as the Provincial Bank and the Central Banks realised the value of keeping outside resources. To-day the Provincial Bank has a drawing limit of Rs. 37 lakhs with the Imperial Bank of India secured on Government paper. Other Central Banks in the aggregate have a drawing limit of Rs. 27.6 lakhs. Central Banks have secured from the

Provincial Bank cash credit facilities to the extent of Rs. 33 lakhs. The nature of security lodged as cover by them is analysed below:—

Rs. 16·0	Lakhs on Co-operative paper.
Rs. 8·8	Lakhs on Debentures of the Central Land Mortgage Bank.
Rs. 4·4	Lakhs on Bank's deposits.
Rs. 3·8	Lakhs on Government Securities.

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Rs. 33·0 lakhs.

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A major portion of the credits still stands on co-operative paper. There has been no refusal till now if the circumstances showed that additional accommodation was required for maintenance of statutory fluid resources. It can be safely averred that the Provincial Bank provides directly or indirectly the entire fluid resources of the co-operative movement in the Province.

From the year 1936, the Provincial Bank has been granted a drawing by the Reserve Bank against Government paper. The Provincial Bank failed in its endeavour to secure accommodation on the pledge of the debentures of the Madras Co-operative Central Land Mortgage Bank, though the principal and interest thereof are guaranteed by the Madras Government.

The original bylaws of the bank fixed the maximum lending rate at 7 per cent and the borrowing rate at 6 per cent. The first loan application dealt with was that of the Big Conjeevaram Weavers' Union. The President entered his dissent at the un-remunerative rate of interest compared to the deposit rate. He expressed that there should be at least a margin of 2 per cent between the borrowing rate and lending rate and that the byelaws should be amended early. This was done at the next General Body Meeting. From 1906 to 1920, the loan rate stood at 7½ per cent to societies. In places where Unions were started, the Bank was granting a rebate of one-fourth per cent on the interest collected, to the Unions for supervision charges. When Central Banks were granted loans the rate of interest to them was fixed at 7 per cent. These rates continued till July 1920. It would look strange but it was so that at the first meeting of the Board composed predominantly of Central Banks the rate of interest on loans to Central Banks was raised temporarily to 7½ per cent and it was in force till July 1923 when it was again lowered to 7 per cent. The course of loan rates has been one of gradual reduction since then except for a short period of six months from January 1931. The present rate of interest on loans is 3½ per

sent per annum. The reduction in lending rate from  $7\frac{1}{2}$  to  $3\frac{1}{2}$  per cent has been effected in the course of 7 years from 1931 to 1938 and the margin available to the Provincial Bank is now about half per cent. This drastic reduction in the lending rates during a period when additional direct financial help to the tune of Rs. 3.2 lakhs was rendered to Central Banks by way of subvention and subsidies has not affected adversely the profit-earning and dividend-paying capacity of the Provincial Bank.

The amount of loans outstanding against societies and central banks was regularly on the increase, year by year till 1925, when it reached Rs. 82 lakhs. There was a fall in subsequent years till 1929, when there was again a rise and in 1930 the peak figure of Rs. 123.5 lakhs was reached.

Then came the crisis of 1931 and growth in overdues. Subsequently there was a rather steep decline, but by the 30th June 1934, most of the loans were collected leaving only Rs. 5.3 lakhs outstanding. The period also marks a corresponding rise in—investment in G.P. Notes totalling about Rs. 147 lakhs.

An outstanding feature of the short term rural finance of the Provincial Bank is the system of advance of loans on the pledge of produce raised by members of societies. It is part of the scheme known as "controlled finance." It aims at financing the members of agricultural societies through all stages of their occupation, viz., from the stage of cultivation to the final stage of marketing of the produce under adequate safeguards for the application of the loan for productive purposes and its repayment out of the sale proceeds of the produce. These loans are usually repayable in nine months and rotate rapidly. Such loans advanced by the Provincial Bank in the last three years are as follows:—

1938-39 :	Rs. 40.14 lakhs.
1939-40 :	Rs. 62.35 lakhs.
1940-41.	Rs. 81.07 lakhs.

(to end of April 1941).

**Land Mortgage Bank finance.**—Before the starting of the Central Land Mortgage Bank, there was a proposal in 1928 to entrust the financing of the long term needs of agriculturists through a net work of primary land mortgage banks, to the Provincial Co-operative Bank making it the managing agent for the floatation of debentures similar to conditions that were obtaining in Bombay. But this did not materialise. A beginning had already been made in 1927 to obtain long term money by the floatation of uncovered debentures. Against an offer of Rs. 5 lakhs



at 5 per cent and an issue price of Rs. 95, Rs. 2,14,600 were subscribed for and the issue was closed. The money obtained was primarily utilised to grant loans to primary land mortgage banks, for 20 years on their debentures. The Central Land Mortgage Bank was registered in December 1929 and began to issue debentures with Government guarantee. The Provincial Bank now holds investments in those debentures of the aggregate face value of Rs. 15.72 lakhs. The investment in the debentures of the primary land mortgage banks was stopped, and against a sum of Rs. 1.55 lakhs, so invested, there is at present a balance of only Rs. 78,000 outstanding on date. The debentures issued by the Provincial Bank were redeemed in full by 1st December 1940.

**Industrial Finance.**—The Provincial Bank has been attempting to help societies, other than agricultural, whenever required. In October 1919 it gave a loan to a co-operative leather goods society consisting purely of cobblers. After a trial of 3 years, it was found that the society did not work well and it had to be liquidated. An overdraft of Rs. 3,000 and a time loan of Rs. 1,000 due from the society were however fully recovered. The bank took a keen interest in the starting of a co-operative printing press in 1920 and took shares of the value of Rs. 1,000. The press worked well but languished for want of support from the members and was on the verge of liquidation. It has, however, been rehabilitated and is again working at a profit.

But by far the most important venture on the side of organising an industry based on agriculture is that of financing the co-operative sugar factory at Vuyyuru, Krishna District. The scheme was worked out with great care and is an attempt to provide credit facilities for large scale operations. The agriculturists in a compact area which was investigated to be fit for cane growing joined together and pledged their lands to the society which in turn raised credit for its block expenditure to the extent of several lakhs from the Provincial Bank. It was in 1934 when the Provincial Bank, finding that the management of certain Central Banks which were not working well were superseded by the Registrar, took power under its byelaws to finance primary societies directly with the Central Bank as the agent of the Provincial Bank for disbursing and collecting the loans with the approval of the Registrar. The finances required by the Vuyyuru Factory which has a crushing capacity of 800 to 1,000 tons of cane per day could not have been easily provided by a Central Bank. The Provincial Bank advanced a sum of about Rs. 14.5 lakhs during the first two years of its working for block expenditure. Besides this sum considerable advances are made year after year on the security of sugar manufactured by the factory and recovered from

the sale proceeds of sugar. In the first three years after it began crushing, it went through various vicissitudes incidental to an area where sugar cane growing was introduced newly; and the raising of excise duty and internal competition left little profit. On date the factory owes to the Provincial Bank under advances for block expenses a sum of about Rs. 6.5 lakhs. It has turned the corner and shows signs of becoming a successful enterprise. Its progress is being watched with interest and its success would stimulate the organisation of similar industries in other areas.

#### LOANS OUTSTANDING AND INVESTMENTS IN G.P. NOTES

Year ending.	Loan to Societies.	Investments in G. P. Notes.
	Rupees	Rupees
31st March, 1906	2.000	...
30th June, 1910	9 21.650	...
30th June, 1912	20,91.553	66 852
30th June, 1920	50.48.687	3,33.427
30th June, 1930	1,15.13.462	58 26.627
30th June, 1934	5.30.279	1,46.91 095
30th June, 1938	42,28.937	1,26,47,282
30th June, 1940	1.01.76,649	1,25,63 330

#### Schemes of subvention and Subsidy to Central Banks : Subvention.—

The scheme of financing societies spread over the entire province and the slender profits earned rendered the bank entirely dependent on the Registrar for obtaining the financial particulars of the indebted and borrowing societies and the bylaws also were framed accordingly. The Bank successfully contended in later years, even after its position had improved considerably that it was not its business to engage any inspectorial staff for the supervision of societies. But at no stage did it relax the careful watch kept over the societies and Central Banks; and after the Bank was transformed in 1920 into a Provincial Bank it continued to draw the attention of Central Banks to the growing overdues in primary societies. From 1926 it introduced a systematic review of progress reports and arranged half yearly conferences of Central Banks. It impressed on them the need for an immediate investigation into the state of borrowers and societies and their rehabilitation or reorganisation by judicious grant of extension in deserving cases with proper safeguards and adequate security. As the Central Banks did not show much pro-

gress the Board of Management framed a scheme of rectification and consolidation in April 1930 and sanctioned financial aid for a period of 3 years to all the Central Banks undertaking to engage special staff for the purpose. The budget for 1930-31 provided an allotment of Rs. 50,000 in aid of rectification work. The amount spent during the three years ending 30th June, 1933 came to Rs. 1,33,690. The three year plan having been worked out the Provincial Bank had to continue the financial help thereafter on a limited scale to certain banks which undertook special schemes for rehabilitation and to others financially weak. The scheme enabled the Central Bank to make a detailed estimate of their bad debts and to draw up a cautious programme of development for future years. The total expenditure by the Provincial Bank under this head for the 10 years 1930-40 amounted to Rs. 1,97,507. The detailed examination brought to light the initial defects in the financing of members of societies, such as want of proper estimate of the ryots' needs and repaying capacity, the unproductive nature and purpose of the loans and the inadequacy of the time allowed for repayments. It proved to be an impossible task to meet the entire debt requirement of members. The conviction was forced on the Central Banks that only short term requirements of members could be met from short term deposits and that long term needs could not be satisfied by loans from short term funds at their disposal but by only land-mortgage banks obtaining long term money.

**Subsidy.**—The Provincial Bank is also helping the Central Banks financially in the matter of developing crop finance and marketing. From the year 1935-36, subsidies have been granted with a view to organise loan and sale societies and help the ryot to secure better prices for his crop by holding up for better markets. These grants are all distributed to Central Banks. Such grants amounted to Rs. 1,14,525 for the six years ending with 1940-41.

**Fluid Resources.**—The Bank maintains fluid resources to cover the demand at the following rates prescribed by Government.

Current deposits	.. 40 per cent.
Fixed deposits maturing next 30 days	.. 50 per cent.
Prudential deposits	.. 25 per cent.
Undrawn cash credits	.. 50 per cent.

The high percentage of Government securities enables the bank to maintain liquid resources at a high level.

**Bankers' Clearing House.**—With a view to facilitate clearance of cheques and bills incidental to the growing business under current de-

posits the bank found it necessary to join the Madras Clearing House in February 1933 and continues to be a member thereof.

**Relations with Central Banks.**—The Bank has completed 35 years of working in November 1940. It celebrated its Silver Jubilee in June 1931, and just prior to that it was decided that the name of the Bank should be changed to its present name, the Madras Provincial Co-operative Bank, Ltd., to be in keeping with its status and functions.

The Bank has interested itself in organising periodical conferences of its affiliated Central Banks at which their representatives meet and discuss matters of common interest. The first few Conferences from 1921 to 1925 were held at the office of the Registrar and the later conferences are being held under the auspices of the Provincial Co-operative Bank from the year 1926. Till 1931, the conferences were held half yearly and thereafter annually. It is at these periodical conferences that decisions on important questions of policy are arrived at and though the resolutions passed at the conferences do not have any statutory binding on the Central Banks, they all adhere to them loyally. At the second conference held in October 1926, the Central Banks agreed to regulate their rate on deposits to a maximum of half per cent lower than the lending rate of the Provincial Bank and this principle has been adhered to till the Conference in 1940 decided that Central Banks might offer rates not exceeding the lending rate of the Provincial Bank as per suggestion of the Registrars' Conference held in December 1939. A scheme for the collection of cheques and bills and issue of drafts between Central Banks was adopted.

A controversial issue between Central Banks and the Provincial Bank was the right of the Provincial Bank to inspect the affiliated central banks. The Townsend Committee had recommended that every financing agency should be given power to inspect the working of its affiliated societies. The Board of Management of the Provincial Bank passed a resolution in April 1928 by a big majority adopting the recommendation of the Committee, but a few banks tried to question such a right. The matter came up before the General Body of the Provincial Bank with a view to enact a byelaw compelling a constituent central bank to submit to such a procedure. The object of inspection by the Provincial Bank was to study the condition of each bank for mutual benefit, and it was agreed at the General Meeting that a resolution approving the procedure would do. This happily ended the controversy and all the banks have agreed to their inspection by the Directors of the Provincial Bank. There is now a separate section in the Madras Co-operative Societies Act VI of 1932 providing for such inspection.

**Relations with Departmental Officers.**—Sir P. Rajagopalachariar, the first Registrar though not actually on the Board helped the bank considerably in its early stages and was instrumental in effecting a smooth change of the constitution when societies had to be admitted into membership. Dewan Bahadur R. Ramachandra Rao who succeeded Sir P. Rajagopalachariar as Registrar lived next door to the Bank and when not in camp carried his office work in the bank premises, thus reducing to a minimum the correspondence between the Bank and the Department as not even to necessitate a telephone call. The same gentleman, when he joined the Board after retirement, received unstinted support from the bank for his rural reconstruction work at Rasipuram in Salem District which later became the nucleus for starting prohibition in that area, when Sri C. Rajagopalachariar became the Premier of the Province. It was during the term of the third Registrar, Dewan Bahadur L. D. Swamikannu Pillai, that the relationship between the Bank and the Department was somewhat strained, as the Registrar wanted to effect a change in the constitution and policy of the Bank.

The Bank from the beginning took its firm stand on not having any thing to do with the inspection of the borrowing societies. The Bank held the view that in as much as its transactions were scattered over the whole presidency, it could not find all the money required to maintain the inspecting staff. Secondly, it was out of the revenues of the province that the Government maintains the Co-operative Departmental staff and it is therefore their business to conduct the inspection of societies. It was held that the sole responsibility for recommending societies to the Bank for obtaining loans rested with the Department. Still as a measure of compromise and trial the bank agreed to maintain two inspectors for some time and met their salary and travelling allowance but they worked completely under the direction of the Department and submitted their reports to the Registrar. This was a short-lived arrangement and till this day the Bank does not maintain a single inspector on its staff.

The second point of difference was the question of Audit. The Registrar began to ask for payment for work done by the departmental staff. The Bank maintained that if it was called upon to pay, it would employ its own auditors. The Bank won on this point also.

The third point of difference was to have on the Board representatives of Central Banks. The Bank while reluctantly admitting two representatives declined to meet their travelling allowance. So, non-resident members were for sometime coming to the meeting at their own cost.

When Dewan Bahadur L. D. Swamikannu Pillai's term as Registrar expired, an English Civilian, the late Mr. F. R. Hemingway was appoint-

ed as his successor for the first time. He was the most genial of all Registrars and did much to restore the good relationship between the bank and the department that existed during the period of the first two Indian Registrars.

Almost all the Indian Registrars on retirement have joined the Board of the Bank and served the institution at one time or another—Dewan Bahadur R. Ramachandra Rao, Dewan Bahadur L. D. Swamikannu Pillai, Rao Bahadur A. Vedachala Iyer, Rao Bahadur M. K. Venkatachari, Dewan Bahadur K. Deivasikhamani Mudaliar and Rao Bahadur M. Giriappa.

**Common Good Fund.**—Out of the Common Good Fund, the bank has given the substantial sum of Rs. 1,30,500 to the Madras Provincial Co-operative Union for co-operative education, propaganda, Rural reconstruction schemes etc. Besides it has given Rs. 20,600 for boys' and girls' education, Rs. 5,150 towards relief of sufferers from earthquakes, floods, famine and fires, Rs. 11,750 to libraries, hospitals and poor homes. Apart from this, it has enabled the Hon'ble Mr. V. Ramadas Pantulu to attend as the first Indian delegate the International Co-operative Congress at London in 1934 and visit co-operative institutions in England and the Continent. Mr. K. C. Ramakrishnan who attended the International Co-operative Congress at Paris in 1937 and made a study tour in parts of Europe and Mr. K. L. Narasimha Rao, who visited Great Britain and Europe for the study of co-operation and the Bank's Secretary, Mr. T. Raghavendra Rau who visited Japan for a similar purpose received money grants. It also deputed one of its directors, the late T. Adinarayana Chettiar, to study the marketing of crops in South India who published his account in a brochure entitled, "Co-operative Marketing of Agricultural Produce in South India." It has endowed a sum of Rs. 3,000 to the Madras University to constitute a Prize Fund in memory of its late Secretary, Mr. V. C. Rangaswami for the award of a prize for the best post graduate thesis on Rural Economics including Co-operation. Its walls are adorned with portraits not only of its past presidents but also of the foremost leaders of Public Life in the country.

**Building and Library.**—From its building fund accumulated out of profits, it owns two big buildings which in addition to serving as accommodation for banking business, provide guest rooms for its directors and co-operators coming from all parts of the country. A meeting hall is nearing completion.

Its library is well-equipped with books on co-operation, banking, economics and allied subjects and a large number of journals and dailies.

**Staff Welfare.**—The Bank has started a Provident Fund for its employees and it provides them with free medical relief. It has also provided facilities for the running of a canteen for the staff. There is a co-operative society for the employees. They have formed themselves into a Fellowship and group themselves for work under various heads for common benefit.

The Bank has some ambitious schemes in view, viz.

1. To open a Women's and Children's Department in the bank.
2. To run a co-operative kitchen on the model of Nutritious Foods Distributing Co-operative Society in Japan to provide midday meals to the subordinate employees working in offices and factories.
3. To maintain a Co-operative Sanatorium, Rest House and Hospital near Tambaram to serve the employees of all co-operative concerns.

**The Future.**—What of the future that is in store for the Madras Provincial Co-operative Bank? If an All-India Co-operative Bank is to be started, the Madras Provincial Co-operative Bank may well provide the nucleus for such organisation as the Premier Provincial Co-operative Bank in India. It has potentialities for expansion to cover any area or reach any limit. Let not any unworthy motive interfere with the evolutionary process of the Bank and divert or impede its progress from out of its own dug-out channels and its own measured levels! We are fortified in our hope by the following observations of the Registrar of Co-operative Societies in his administration report for the year ended 30th June 1940: "The Madras Provincial Co-operative Bank must now be counted among the major banks of the country. It worked on sound business lines and was in many respects a model for other provinces."

## THE B. & O. PROVINCIAL CO-OPERATIVE BANK

By

M. ALI AHSAN,  
*Inspecting Officer*

The B. & O. Provincial Co-operative Bank, Ltd., with its headquarters at Patna, the capital of the province, was established in 1914. Since then Orissa has become a separate province. But the original name is being retained for certain reasons although the bank, in actual practice long ceased to have anything to do with the financing of the Movement in the newly created province of Orissa. So far as its previous dues against the central banks of Orissa are concerned the matter was settled at a conference of the two Provincial Governments and the Provincial Bank, according to which the Orissa Government have undertaken to pay a large portion of the amount in eight equal yearly instalments. Two instalments have already been paid.

The office of the Bank is located in a building of its own, which is quite commodious and commands a prominent view. It is situated on one of the main thoroughfares of the town and is in close proximity to the business quarters and important Government offices and Courts.

**Inauguration of the Bank.**—At the time the Provincial Bank was started, there were in the province 8 Central Banks and 578 primary credit societies with a working capital of Rs. 8 lakhs. The need for such an apex bank was badly felt to supply Central Banks with liquid capital at a reasonable rate of interest, and more particularly for a backward area like Orissa. Such a bank was also needed to provide an outlet for the surplus funds of some of the Central Banks in the slack season. Besides, the policy pursued in Bihar was to redeem all outside liabilities of members of the primary societies. It was held that members must be saved from “the unnecessary and heavy charges which they have to pay for loans to the village mahajans” and freed from outside liabilities in order to enable them to focuss their attention entirely on the improvement of their condition, morally and materially, within the co-operative fold. Subsequent events have demonstrated the unwisdom of over-generous finance but it cannot be doubted that the sponsors of the Movement were inspired with the best of intentions. It was in circumstances like these that the B. & O. Provincial Co-operative Bank, Ltd., was registered under the Co-ope-



native Societies Act (Act II of 1912) in 1914 with a view to finance co-operative societies throughout the province and to serve as a balancing centre for the banks. In the beginning its share capital consisted of the sum of Rs. 20,000 paid in sums of Rs. 5,000 by each of the four guarantee shareholders, each of whom held guarantee shares of Rs. 1,00,000. The guarantee of these share-holders consisted in each standing surity for a cash credit of Rs. 1,00,000 from the Imperial Bank. The total cash credit so sanctioned to the Provincial Bank by the Imperial Bank was Rs. 4,00,000. With this and the paid-up share capital of Rs. 20,000 it started work as the apex bank of Bihar and Orissa in April 1914. For this accommodation the Provincial Bank paid a guaranteed dividend of 6 per cent per annum on the paid up amount and a commission of  $\frac{1}{2}$  per cent per annum on the unpaid amount of guarantee shares.

**Constitution and Management.**—The supreme authority of the bank is vested in its General meeting of the shareholders, and the executive authority in the hands of a Board of Directors consisting of not less than 10 members to be elected annually at the General meeting. The qualification of a Director is that he shall hold shares in the Bank of the face value of not less than Rs. 1,000, with the exception of Directors representing Central Banks and societies holding shares in the bank. The Registrar of Co-operative Societies is an Ex-officio Director. Besides, to ensure smooth and speedy despatch of work the formation of a small Working Committee consisting of not less than 3 Directors is also provided. The Working Committee is vested with most of the powers of the Board which meets once in three months. The Chairman, the Managing Director and the Registrar of Co-operative societies are members of the Working Committee of the Board. In both the Board and the Working Committee the majority of the Directors are representatives of Central Banks. At the meetings of the Board and the Working Committee the Registrar is usually present. About the influence of the Registrar in the decisions of the Board of the Provincial Bank, the B. & O. Committee on Co-operation observed as follows. "The Registrar as the head of the field staff, on whose information the Bank depends for judging the wisdom of lending to Central Banks and as the only channel for enforcing the demand of the Bank on the borrowing banks, has generally an effective voice in all important matters of policy and even of detail. His advice is never disregarded though on discussion with his fellow-Directors he occasionally modifies it."

**Working of the Bank.**—It is interesting to note that for about a decade in the beginning, the Bank was functioning as a 'Book Bank.' It

handled no cash itself but operated on the cash credit of Rs. four lakhs granted to it by the then Bank of Bengal, now the Imperial Bank of India. All payments were made by cheques on the local branch of the Imperial Bank. The cash credit of Rs. 4,00,000 guaranteed by the four guarantee share holders, viz., the Maharaja Bahadur of Darbhanga, the Maharaja Bahadur of Hathua, Raja Kirtya Nand Singh of Banailly and Raja P. C. Lal Choudhery of Purnea enabled the Bank to adequately meet all demands for assistance in its initial stages and function as a 'book bank' without the cost of maintaining a large staff to carry on cash transactions. The Imperial Bank also charged interest to the Provincial Bank on daily balances in the cash credit account at  $\frac{1}{2}$  per cent less than its usual rate in view of the excellent security offered by these magnates of the Province. The authorised capital of the Bank now stands at Rs. 20,00,000 divided into 4000 ordinary shares of Rs. 500 each. Of these 2,922 shares have been subscribed; amount paid up is Rs. 5,84,000, the uncalled amount being Rs. 8,76,600. How the paid-up share capital, Reserve fund and the Working capital of the Bank rose gradually at various stages will be easily seen from the statement given below :—

Year.	Share Capital (Paid up) Rs.	Reserve Fund Rs.	Working Capital
1914-15	52,900	1,312	2,98,839
1919-20	1,16,800	38,734	8,94,952
1924	2,41,400	1,45,910	37,88,201
1930	5,76,600	2,81,400	77,63,107
1935	6,11,200	7,07,000	1,08,91,000
1940	5,84,000	8,37,909	89,66,000

The recent fall in share capital is due to the adjustment of share money of Central Banks and societies liquidated towards the dues of the Bank. Regarding the heavy fall in the amount of the working capital, it will be sufficient to say that the period following 1935 was a critical period in the history of the Movement in Bihar. Very few of the Central Banks held any fluid resources of their own, and recoveries from societies during this period reached the lowest figure on record. As a result, many of the Central Banks were unable to meet the due demands of their depositors. Panic and dissatisfaction spread all round with the result that heavy withdrawals of deposits from all co-operative banks

commenced and very few could survive this shock. The failure of many Central Banks to meet their obligations could not but, in the nature of things, have its reactions on the credit of the Provincial Bank also. There was heavy rush of withdrawals and consequently a heavy fall in the working capital.

The statement below will show the total amount of deposits held by the Bank at different stages of its working. Till 1935 it will be seen that the deposits were always going up.

Year.	Deposits held from	
	Individuals	Central Banks and Societies
	Rs.	Rs.
1925	35,07,000	8,74,000
1930	54,63,000	12,85,000
1935	68,97,000	13,79,000
1940	35,08,000	9,34,000

In the Report on the Working of Co-operative Societies in Bihar for the year 1938 the Registrar observed: "Until and unless the Movement is rehabilitated, the credit of the Provincial Bank which has sunk to a low ebb, due to the failure of many Central Banks to meet their obligations, cannot be restored and the drain is likely to continue. It is however believed that the drain, though steady, has not been as heavy as it might have been due to the good reputation so far enjoyed by the Bank and the announcement made by Government about the rehabilitation of the Movement at the last Co-operative Congress."

Since then it is gratifying to note that an authoritative announcement has been made by Government in the form of a communique regarding the rehabilitation of the Movement and the assistance to be rendered to the Provincial Bank. But as there is some delay in giving practical shape to the scheme, the situation in regard to drain on the Provincial Bank has not ceased altogether, as was expected. There can, however, be no denying the fact that the communique has gone a long way in restoring the *status quo* of the Bank.

It must also be mentioned here that it would have been impossible for the Bank to meet the heavy withdrawals without the financial assist-

ance which was received from the Government of Bihar in the form of loans—first in 1934 of Rs. 20 lakhs, and again in 1939 of Rs. 10 lakhs given for the repayment of deposits. The Government were also pleased subsequently to suspend (the recovery of) the instalments on the first loan as well as the interest on the same, in view of the difficulties of the Bank to pay. The second loan of rupees ten lakhs was given without any instalment fixed for repayment. The total amount due to the Government on account of the above loans stands at Rs. 23,08,000.

**Advances to Societies and Central Banks.**—Except in special cases, no loan is granted by the Bank to the primary societies direct. The only exception is the co-operative societies among the Paharias who are the aboriginal tribes living on the hills of Rai Mahal in the district of Santal Parganas. Their chief produce is Sabai grass, which is sold to the Titagarh Paper Mills through local agents. These local agents were also the chief money-lenders to Paharias and they used to charge a heavy rate of interest which barely left anything for the Paharias out of the price. There are now 38 societies working among them directly affiliated to the Provincial Bank. The societies have proved a real boon to the Paharias and it will be no exaggeration to say that they are now leading a more happy and prosperous life. Out of these 38 societies, 12 are placed in A class and the rest in B or C class. Ten societies have become entirely independent and borrow no money from the Bank. The Statutory Reserves of these societies at the end of 1940 stood at Rs. 6,350, members' deposits at Rs. 1,927 and their paid-up share capital at Rs. 2,327. At the close of the year not more than Rs. 10,000 was owed by all the societies combined to the Provincial Bank. The recovery in 1940 was 94·2 per cent in principal and cent per cent in interest. This is not a mean achievement particularly for a backward tribe.

To Central Banks, the advances made are of three kinds:—

1. *Cash Credit* upto a maximum limit of Rs. 15,000 (secured on general assets). Rate of Interest charged by the Bank is 6 per cent while that allowed to constituents on their floating deposits was 2½ per cent, now reduced to 1½ per cent. Limit is renewed, or otherwise regulated annually, on the recommendation of the Registrar.

2. *Maximum Credit.* This is allowed up to a maximum of twice the amount of the sanctioned cash credit and bears the same rate of interest. This credit is also sanctioned subject to the recommendation of the Registrar and is withdrawable by transfers to the cash credit accounts on a previous notice of at least a week.

3. *Loans.* All loans to the Central Banks are also advanced on the recommendation of the Registrar. Due to the bad condition of most of the Central Banks practically no loans are being advanced now.

A comparative statement of total advances due against Central Banks under loans and credits is given below :

Year.	Loans.	Cash & Maximum Credit.	Total.
	Rs.	Rs.	Rs.
1930	37,80,079	5,40,623	43,20,702
1935	52,57,000	9,12,000	61,69,000
1939	47,37,222	9,58,500	56,95,722

**Recoveries from Central Banks** are not at all satisfactory. The Central Banks when faced with heavy withdrawals practically stopped making repayments to the Provincial Bank in a desperate attempt to save their credit. Subsequently, when it was found that it was a hopeless endeavour, many Central Banks held meetings of their creditors under the provisions of Section 24-A of the B. & O. Co-operative Societies Act, 1935, and arrived at a compromise with them, which on being approved by the Registrar was made legally binding on all concerned. The main utility of such a compromise was that all creditors were treated alike and none could force the Central banks into liquidation, as the recoveries as and when made were to be distributed pro rata amongst all the creditors. These compromises invariably led to a great sacrifice by the Provincial Bank in the matter of the future rate of interest. In several cases interest had to be sacrificed entirely and in others the rates were drastically reduced. The cumulative effect of all this was that the average rate on loans to Central Banks was reduced to 3.61 per cent as against the average rate of 4 per cent on deposits. But in the larger interests of the Movement, the Provincial Bank had to agree to the arrangement in every case. These creditors' meetings were mainly designed to serve as a stop gap arrangement pending the final rehabilitation of the Movement, and this purpose they have fully served.

It must also be mentioned here that till 1934 the Provincial Bank had no independent agency of its own to enquire into the affairs of the Central Banks. In 1935, as one of the conditions attached to the Government loan of Rs. 20 lakhs, two qualified inspectors were appointed for the purpose. It was further laid down by the Government that in case of any future loans or accommodation to be given to the Central

Banks, the bank should as a measure of additional safe-guard satisfy itself fully about the safety of the loan, irrespective of the Registrar's recommendations. The conditions of the Central Banks thereafter were fully examined by the Inspectors and the reports received from them were found very helpful in clarifying the position in which the Central Banks were placed.

Another very important feature of the Bank's working in recent times was the assumption of the management of four Central Banks besides two 'Traders' Banks in the year 1936-37. This step was taken with the complete approval and concurrence of the Registrar. The authorities of those banks as well as their creditors having expressed their desire that the managements should be taken over by the Provincial Bank, the latter had no option but to do so. Subsequent results of their working have, however, shown that it was all to the good that this was done. Not only recoveries have improved appreciably, but a number of other problems facing those banks—especially land affairs which the banks had acquired in the process of execution of award and liquidation proceedings against societies have since been settled quite satisfactorily. Below is given a table to show comparative cash recoveries in three out of the four Central Banks. The condition of one Central Bank was very bad for long before and so no improvement could be made in it beyond disposal of almost all the lands held by the Bank.

Name of the Bank.	Cash recoveries.		
	1938	1939	1940
	Rs.	Rs.	Rs.
1. Fatwah Central Union ..	21,467	27,001	53,730
2. Jehanabad C.C. Bank ..	22,003	33,075	48,084
3. Shaikhpora C.C. Bank ..	10,261	11,482	17,829

From all the Central Banks repayments to the Provincial Bank for a number of years before they came in its direct charge were almost next to nothing. In the time of the Provincial Bank's management although recoveries are required to be distributed *pro rata* to all the creditors, the share of the Provincial Bank in the distribution has naturally been more for the reason of its being the single biggest creditor.

The reasons for these improvements are no other than the observance of some very elementary business rules, viz.:—(1) Examination of individual loans in the societies and systematic action against bad and wilful defaulters; (2) Granting of remissions towards interest as found justifiable on the merits of each case and realising the balance of dues quickly in cash; and (3) Proper control over the paid staff.

The Chief Executive authority for the management of the Central Banks is vested in the Managing Director, subject to the approval of the Board in certain specified matters. The day-to-day administration is carried on by the Inspecting Officers, under the orders of the Managing Director. The management is carried on through a local Advisory Committee, consisting of five to six members, with the local S.D.O. as Chairman and the Inspecting Officer as a member of all the Committees. The other members are drawn from among the shareholders of the Central Banks concerned. The Committee is invariably consulted on all matters regarding finances, and their recommendations have been found to be very helpful and practical.

The staff of these Central Banks are directly under the control of the Provincial Bank.

**Some Acknowledgements.**—Among the original founders of the Provincial Bank were men of outstanding position in the public life of the Province. Mr. B. A. Collins, then Registrar of Co-operative Societies, and Khan Bahadur Mohiuddin Ahmed, then Deputy-Registrar and later Registrar, Co-operative Societies were, on the official side, the heart and soul of the movement. The Hon'ble Rai Bahadur Sheo Shankar Sahay was the first Chairman of the Bank. The late Sir Syed Ali Imam was Chairman for seven long years. The present Chairman, Dr. Sir Syed Sultan Ahmed, who has been holding the office for the seventh year in succession, is well known all over India. He has been truly a friend, philosopher and guide. Among others it would be hard to make a distinction, but mention must be made of Rai Bahadur Mihir Nath Ray, who was for 21 long years the Managing Director of the Bank and served it with a true public spirit. Not only the Bank, but the Movement owes a great debt to Rai Bahadur Syamnandan Sahaya, the present honorary Managing Director. He occupies an unique position in the public life of the Province. Though a premier landlord with plenty of business of his own, he is devoting much of his time and thought for the improvement of the conditions of the movement. His wide experience of men and things and his business talents have sustained the Bank in the most difficult period of its existence. It is due entirely to his guidance and firm control that the

management of Central Banks, in the direct charge of the Provincial Bank, has proved a success. As Chairman of the Rehabilitation Committee constituted by the Government, he made outstanding contributions towards the formulation of the rehabilitation scheme. The services he has been rendering will ever remain a source of inspiration to workers both paid and honorary. Finally acknowledgment must be made of the valuable services rendered to the Bank by Mr. V. M. Thakore, the paid Secretary of the Bank. His sound and able management of the Bank's affairs has been repeatedly acknowledged by successive Registrars as well as the authorities of the Bank.

**Cost of Management.**—The comparative statement below gives the total cost of management during the last five years.

<i>Year.</i>	<i>Total cost.</i>
	<i>Rs.</i>
1936	.. 43,626
1937	.. 42,767
1938	.. 39,912
1939	.. 41,393
1940	.. 37,915

The proportion to the working capital works out at below 0.50 per cent.

#### **Scheme of Rehabilitation of the Co-operative Movement in Bihar.—**

As published in the Government communique, the place assigned to the Provincial Co-operative Bank in the scheme of Rehabilitation is as follows:—"Government will bear the losses of the Provincial Co-operative Bank in giving effect to the Rehabilitation scheme and will give such other financial assistance and support as may be necessary. In view of the nature and extent of the financial responsibility involved, Government will assume necessary control over the Provincial Bank at least for a number of years during the period of Rehabilitation and appoint an experienced Banker, to be called the Banking Adviser, who will work as the Managing Director and will be primarily responsible for advising Government on the banking side of the business....."

The position of the Provincial Bank is thus fully secured now. But whatever the future order of things and whether the agricultural credit system is aided by the State or not, stability must necessarily depend on the stability of primary societies and the efficient working of Central Banks.



The scheme of Rehabilitation of the Co-operative Movement in Bihar envisages a thorough overhauling of all the component parts. The scheme has been welcomed and prominent co-operators have publicly expressed their satisfaction. The general desire was to see the end of an impasse which had been eating into the vitals of the Movement. It is to be hoped that the lessons of the past will be fully utilised and kept in view in building up the future edifice of the Movement. If the Movement is to play its destined role in the economic regeneration of the country as it must, it is most essential that sound rules and principles should no longer be a mere matter of theory but should always be put into practice vigorously. Here I would quote a very wise and sincere observation made by the late Khan Bahadur Mohiuddin Ahmed, Registrar of Co-operative Societies, Bihar and Orissa, in one of his administration reports: "The attitude of the public is much the same. All, or nearly all, bless with their lips; most are interested; a fair proportion will take shares, invest money or sit on board. A few, a very few, do some real work. This is probably the way of the world, and it is perhaps foolish to hope for more. To wait for a millenium of social service or to build up a system which depends on the honorary labour of a large percentage of the educated classes, who can have but little pecuniary interest at stake, would be chimerical."

However sound rules and regulations in themselves may be, the ultimate success of their execution must depend very much on the type of men who are to manage the affairs and of those who have to supervise and control. If this is done on honest and efficient lines, there is no reason why the Movement in Bihar should not bring in its train a promise of enduring vitality and growing usefulness.

## THE MYSORE PROVINCIAL CO-OPERATIVE APEX BANK

By

Y. SREENIVASAIYA, B.A., LL.B.,

*Advocate, Mysore.*

The Mysore Provincial Co-operative Apex Bank celebrated its Silver Jubilee in March 1941. It was started in November, 1915, with its head-quarters at Bangalore, the seat of the Government of Mysore. From its very inception it enjoyed the sympathy of the Registrars of Co-operative Societies and the support of the public. In the very first year it had as its members 504 individuals and 308 co-operative societies out of a total of 800 for the whole State. Such a large proportion of societies could never have joined the Bank but for the persuasion of the then Registrar, Mr. M. A. Narayana Iyengar, whose foresight, earnestness and enthusiasm in the development of the movement is gratefully acknowledged by every co-operator in the State. Within six months the Bank was able to attract deposits to the extent of Rs. 1,25,000 and to issue loans to the extent of nearly Rs. 2 lakhs. Its career was one of steady prosperity till the world economic depression affected it adversely since the year 1930-31.

It is not to be supposed that before the Provincial Co-operative Bank was started, there was no facility for financial aid to the co-operative societies. There were both local and provincial co-operative organisations already in the field. At the end of 1915-16, there were 15 Co-operative Federal Banking Unions, most of which confined their jurisdiction to a single taluk. There was also a District Central Bank at Mysore city which had jurisdiction over the whole of the Mysore District; and above all there was a Central Co-operative Bank at Bangalore with jurisdiction extending to the whole of the State.

Indeed the purpose of the Central Bank of Bangalore, started in 1908, was, as its very name suggests, to finance the societies. But since individuals also were eligible for membership and borrowing, it was an organisation whose sole object was not the financing of co-operative societies. It was a credit society providing credit facilities both to individuals and societies, with no special leaning to either class of members. It was mainly guided by business considerations of safe investment, quick turnover and good profit.

The procedure prescribed for granting loans to individuals is different from the one followed in the case of societies. In the former case the Managing Committee can at its own discretion sanction the loan, whereas in the case of societies the recommendation of the Registrar is indispensable. It is natural for a committee to follow a course which is less restrictive of its powers, and therefore the Central Bank was finding an outlet for its funds in granting loans to individuals and postponing the applications of the societies, probably till all the formalities were complied with. Since its jurisdiction extended to the whole State, individuals wherever they resided, could become its members and borrow on the security of their own assets. Thus a member of a village society who wanted a loan quickly could, instead of applying through his society, directly approach the Bank resigning, if necessary, his membership in the local society. The weaker members of the societies would suffer if the more prosperous amongst them could borrow from the Central Bank independently of the society. The constitution of the Central Bank was thus defective so far as the interests of the member societies were concerned.

The Federal Banking Unions were too weak financially to be able to meet the demands of their societies in full without the aid of the Central Bank. These Unions to which the Central Bank had to sanction loans to enable them to distribute funds in their turn amongst their applicants, were mere instruments of additional cost and delay to the borrowing societies and therefore were not calculated to be either popular with or serviceable to the societies.

But co-operative societies were multiplying by leaps and bounds from 1911-12. Whereas there were only 208 societies in 1911-12, the number rose to 800 in 1915-16. More than 660 of these were agricultural co-operative societies. They could not be satisfied or assisted to start work if they could not get their financial requirements readily from a financing Bank. The Registrar who took the responsibility to bring them into existence in such quick succession could not shirk the responsibility of assisting them to get the funds they required. He felt that a society which would "be a Society of Societies found by them, worked for and by them and consulting no interests other than what are strictly co-operative in character" should be separately started and therefore took a leading part in the establishment of the Provincial Co-operative Bank.

But the existence of two financing banks both of which had co-extensive jurisdiction over the whole of the State led to mutual friction. Attempts were therefore made to amalgamate the two Banks. In spite of the Registrar, the shareholders of the Central Bank, it is said, over-

threw the recommendation of the Sub-Committee in favour of amalgamation. No attempt was made again in this direction.

The conflict between the two Banks soon came to the notice of the Government, which directed that the business of issuing loans to societies be divided fairly and impartially between the two banks according to their resources and that one half of the number of applications at least received by the Provincial Bank should be transferred to the Central Bank. As this arrangement did not work satisfactorily, the Government directed in May 1916, within about six months after the Provincial Bank was started, that in order that each Bank "may have its own separate and distinct sphere of operation" and "develop fully the field of investment and co-operative organisation therein" the Central Bank should confine its lending operations to the Districts of Bangalore, Kolar and Chitaldrug, and the Provincial Bank to the remaining five districts. At the time the order was passed, there were 300 societies altogether in the districts allotted to the Central Bank and 500 in those assigned to the Provincial Bank. The idea of single provincial financing bank for the whole State was thus in practice upset.

For a time this arrangement was followed by both the Banks; but even this device was felt to be unsatisfactory. Because the number of societies that were members of the Provincial Bank were far in excess of those of the Central Bank (vide table A below), loans sanctioned to societies between 1917-18 and 1923-24 by the Central Bank exceeded for a number of years those sanctioned by the Provincial Bank. It is evident that the Registrar who had to make recommendations on the loan applications to the respective banks was keen to see that he did not expose himself to the charge of being partial to one of the two banks. The total amount of loans sanctioned by the two banks for the several years when the 'partition' scheme was in force was rather small as can be seen from the following table:—

TABLE A.

<i>The Provincial Bank.</i>			<i>The Central Bank.</i>		
Year.	No. of Society members (Agrl.)	Loans issued.	No. of Society members (Agrl.)	Loans issued.	Total Loans issued.
		Rs.		Rs.	Rs.
17-18	380	70,000	110	99,356	169,356
18-19	393	53,523	118	82,389	135,912
19-20	401	85,586	136	147,616	235,196
20-21	383	121,384	129	72,463	193,847
21-22	390	65,633	132	60,511	126,144
22-23	398	35,572	141	57,411	92,983
23-24	420	38,666	161	21,572	60,238

In the year 1920 the Government appointed a Co-operative Enquiry Committee presided over by the late Sir Lalubhai Samaldas. The Committee was to consider, in addition to other questions, whether an intermediate Institution like the District Central Bank was necessary and whether both the Provincial Bank and the Central Bank should be allowed to function as provincial financing organisations as heretofore. In the year 1923 the Committee reported that it was unnecessary to have an intermediate central bank in the State and that the Central Bank, Bangalore should be either amalgamated with the Provincial Bank or converted into a mere urban bank and that a single Provincial Apex Bank should be formed and exclusively empowered to grant loans to societies. The recommendation of the Committee was accepted by the Government, and the Provincial Bank was converted in 1925 into the Provincial Co-operative Apex Bank, and the Central Bank was prohibited either from admitting societies afresh as members, or granting loans to those that were already its members. The Federal Banking Unions were all abolished gradually, and the District Central Banks have also been awaiting their final closure by the Government.

During the six years following 1925 there was a rush of societies in the Apex Bank for membership and loans. The Apex Bank followed at that time a liberal policy of granting loans as the following table shows:—

TABLE B.

Year.	Society members	Loans issued.	Total Loans outstanding.
		Rs.	Rs.
1925-26	563	1,76,073	6,35,757
1926-27	618	3,11,407	8,14,668
1927-28	710	4,98,956	11,89,560
1928-29	785	7,46,383	16,88,979
1929-30	863	8,61,679	23,11,559
1930-31	922	7,71,091	26,86,640
1931-32	954	1,75,371	26,21,395

The world economic depression gave a set-back to the business of the Bank, as disclosed by the figures for 1931-32. Since the year 1930-31, the Bank shows a gradual fall in its business and working capital, though the number of societies enrolled as members is increasing year by year. This leads one to the conclusion that fresh loans are being advanced mostly to new societies that are being admitted and that older societies are not in numerous cases borrowing again from the Apex Bank (Vide table C.)

TABLE C

Year.	Number of members (societies only)	F.D.	Total working capital.	Loans issued to societies.	Loans recovered.	Balance of loans due.	Percentage of overdues to demand.	Net profits.
			Rs. (lakhs)	Rs. (lakhs)	Rs. (lakhs)	Rs. (lakhs)		Rs.
29-30	863	24.93	27.86	3.35	2.39	23.11	54.9	48,405
30-31	922	29.13	33.54	7.71	4.46	26.36	60.4	41,526
31-32	954	35.12	39.85	1.75	1.90	26.21	86.8	20,843
32-33	964	37.55	42.43	1.76	2.08	25.88	87.4	21,764
33-34	975	35.63	36.87	1.08	2.42	24.55	88.5	20,885
34-35	976	33.15	37.58	0.98	2.35	23.17	81.0	14,546
35-36	988	31.68	38.18	1.36	1.64	22.89	89.4	5,023
36-37	985	31.98	37.69	1.81	2.49	22.21	74.6	4,982
37-38	1001	29.24	34.97	1.76	1.71	22.26	77.9	54
38-39	1024	25.29	31.01	1.98	1.69	22.55	79.1	14,641
39-40	1063	23.21	31.02	2.13	2.12	22.41	77.1	34,213

The Government have authorised investment in the Apex Bank of the funds of the Local Bodies, *Muzrai*, and Trust Institutions in the State.

The Bank has not attracted much of the spare funds of the Movement. Though the working capital of the movement has been, for the past many years, far above Rs. 2 crores, as the following Table D shows, the deposits of societies in the Bank never went above Rs. 8.20 lakhs and have indeed been declining year by year.

TABLE D.

Year.	Total working capital of the movement.	Increase over the previous year's capital.	Deposits of societies in the Apex Bank.	Govt. loans.
	Rs. (Lakhs)	Rs. (Lakhs)	Rs. (Lakhs)	Rs. (Lakhs)
29-30	169.25	16.87	2.52	—
30-31	189.32	20.08	3.73	1.15
31-32	203.77	14.45	6.40	1.15
32-33	223.09	19.32	8.20	1.01
33-34	217.60	-5.39	8.13	.15
34-35	231.05	14.45	7.89	.15
35-36	236.05	5.0	4.34	.15
36-37	240.29	4.24	5.43	.15
37-38	258.47	18.18	5.50	.15
38-39	263.10	4.63	5.39	.15
39-40	264.19	1.09	5.19	2.15

As the issue of loans since the year 1931-32 was very much reduced on account of the overdues, which sometimes was as high as 90 per cent of the demand the Bank not only refused to receive fresh deposits but even refunded the old deposits as they matured. We find that the deposits, which in the year 1931-32 reached the highest figure of Rs. 37·55 lakhs, have gradually been reduced year by year till in the year 1939-40 they amounted to about Rs. 23·21 lakhs; or, in other words, they fell by about Rs. 14·34 lakhs within the period of nine years. The Bank which had not drawn for a number of years the loan of Rs. 1·5 lakhs, sanctioned by the Government for the purpose of financing housing societies, drew it fully in 1939-40. Further it got sanctioned by the Government in the same year a cash credit of Rs. 5 lakhs, a portion of which also it drew in the same year.

Strenuous efforts are being made to recover the overdues from societies. The result has been encouraging latterly. The slight improvement in the price of some of the agricultural commodities, such as rice and cocoanuts for the last one year, has been reflected in the improvement of recoveries. We read in the Silver Jubilee Report of the Bank, that the recovery during the first six months of 1940-41 ending with December 1940 was Rs. 1·43 lakhs towards principal and Rs. ·59 lakhs towards interest. This total sum of Rs. 2·02 lakhs towards the dues of the Bank exceeds twice the recovery during the corresponding period of the previous year, which itself was far better than those of many of the years immediately preceding. It is expected that the recoveries during the coming years will be encouraging and reduce the percentage of overdues very appreciably.

The Bank followed from the beginning the policy of considering accrued interest as profit in preparing the profit and loss account. With the accumulation of heavy arrears in respect of principal and interest due from the indebted societies, it was felt to be unsafe to believe that all accrued interest would be recovered without fail; consequently in the year 1937-38 the Bank changed its policy, and decided to take into account only the interest actually recovered. Naturally there was a fall in the net profit realised during the transition period, though from the year 1938-39 the balance is being regained. The profit calculated on cash basis in 1938-39 was Rs. 14,129 and in 1939-40 it was Rs. 34,312.

Many of the moffusil societies, especially urban credit societies, have been utilising the local branches of the Mysore Bank for keeping their surplus funds. The greater part of these funds is kept in current account or accounts that carry a very low rate of interest. If the Apex Bank opens branches at least in bigger cities and towns it is very likely that such branches may serve the double purpose of providing centres of

pooling for local co-operative money and serving as agencies for collecting dues from indebted societies in the neighbourhood. In spite of repeated resolutions of the Co-operative Conference for very many years, the Apex Bank declines to open branches—not even in Mysore city where there are 50 societies possessing nearly Rs. 40 lakhs of working capital and a turnover of more than Rs. 1.5 crores. The Provincial Bank of Bombay works with branches in numerous centres. The idea is neither new nor impracticable.

Loans are advanced at different rates of interest to different classes of societies. Loans to agricultural societies for lending to agriculturists to meet the current agricultural needs are advanced at 5 per cent. The housing societies are charged  $5\frac{1}{2}$  per cent. In other cases the maximum rate is  $7\frac{1}{2}$  per cent. Cash credits are given to societies, the rate of interest charged depending upon the nature of the business of the society. Marketing and producers' societies generally get the loan at a concession rate. The bye-laws fix the maximum rate at 3 per cent above the highest rate on fixed deposits payable during the year.

The maximum rate of dividend that was fixed at 6 per cent in the original bye-laws has been now raised to  $7\frac{1}{2}$  per cent to preferential share holders.

The constitution of the Bank is as follows:—

It has got preferential share holders, who are individuals who cannot borrow otherwise than on the security of their own funds in the society; and ordinary share-holders which are co-operative societies. The value of a share is Rs. 100 for both preferential and ordinary shares. A preferential shareholder cannot hold more than 10 shares.

Originally the Board of Directors had not less than seven and not more than 10 members, of whom not less than half were required to be representatives of affiliated societies. Theoretically it was permissible to have no representatives of the preferential shareholders on the Board. Later on the number of Directors was increased to 14, of whom one was to be a member co-opted by the Board, one president elected by the General Body, and the remaining 12 also elected by the General Body annually, of whom, as mentioned before, half at least were required to be representatives of co-operative societies. In the elections of the members of the Board both the preferential share-holders and ordinary share-holders have one vote each. Proxy voting has been prohibited under the Act.

On the recommendation of the Chandrasekhara Iyer Committee of 1936, the Government have framed a rule under the Co-operative Act



prescribing the composition of the Board of Directors. The shareholders have no power now to interfere with its composition. Under the said rule the Board consists of 15 members, of whom one is the president elected annually subject to the approval of the Government. The Government nominates 2 members, who may not be even the members of the bank. Of the remaining 12, two seats are for the preferential shareholders, five for urban societies and five for the rural ones. The Directors representing these separate classes are elected by the shareholders of the respective classes only. Amongst the 12 elected Directors one representing the preferential shareholders and two each out of the Directors of urban and rural societies respectively retire by rotation. The bye-law of the Bank prescribes that lots should be drawn to determine which of the Directors should retire. The retiring Director is not eligible to stand for election for the succeeding year.

The chief executive officer of the Bank is, according to the standing rules, the Secretary who shall not be a member of the Board but a salaried wholtime officer, appointed by the Board of Directors subject to the approval of the Government.

The promoters of the Provincial Bank intended at first that it should be not only a financing centre but also an Institution for Supervision, Inspection, Audit, and Education. They included amongst the objects of the bank the following items also:—

Clause (B). To supervise Co-operative societies affiliated to it by frequent inspection and audit and maintain the purity of their co-operative principles.

Clause (C). To spread co-operative knowledge in the State by the delivery of lectures, the publication of bulletins and pamphlets, holding of Taluk, District and Provincial Conferences and the opening of co-operative libraries and reading rooms.

Clause (E). To organise a co-operative service for the benefit of persons working as office-bearers in societies.

For sometime it conducted conferences with the assistance of the Department, published pamphlets and bulletins and also inspected societies. It maintains a library. But its work in these directions has not been considerable. For a period of 3 years prior to the formation of the Co-operative Propagandist Institute in 1924, no provincial conference was held. Ever since the establishment of the Institute, the Bank has not undertaken any of these functions except inspection. The bye-laws have been so amended later on as to omit these items from the objects of the bank.

With the establishment of the Land Mortgage scheme, the policy of the Bank has been more or less to confine itself to the advance of short term and intermediate term loans, except in the case of Housing Societies. The Land Mortgage Societies have, on the whole, advanced more than Rs. 10 lakhs since the year 1929-30, which in a way accounts for the reduction in the volume of loans issued by the Apex Bank during the period. The policy of the Bank latterly has been in the direction of avoiding, as far as possible, loans to redeem heavy prior mortgage debts and confine the transactions to objects which enable the borrower to discharge the loan within the period granted to him. At present the President of the Apex Bank happens to be the President of the Central Land Mortgage Bank also. It is hoped that he will be able to formulate a policy by which the two institutions will be able to function usefully, without mutual overlapping.

## THE TRIVANDRUM CENTRAL CO-OPERATIVE BANK

By

K. VELAYUDHAN PILLAI.

*Member, Standing Committee,  
Indian Provincial Co-operative Banks' Association.*

The Trivandrum Central Co-operative Bank Ltd., the Apex Bank of the Co-operative Movement in the State, was the first co-operative society organised in Travancore under the Co-operative Regulations. The Regulation was drafted under the inspiration and guidance of late Sir P. Rajagopalachariar, the first Registrar of Co-operative Societies in Madras, when he was the Dewan of Travancore. The draft Co-operative Bill was published in the Government Gazette dated 9-7-1912 and introduced in the Legislative Council on 13-10-1912. It was passed on 3-3-1914 when the late Sir M. Krishnan Nair was the Dewan of the State. Immediately he selected the late Mr. C. Govinda Pillai, one of the ablest officers, as the first Registrar of Co-operative Societies and he was deputed for training in British Indian Provinces. On his return after the training, he organised the Central Co-operative Bank and registered it as the first co-operative society in the State on the 23rd November 1915.

Though it was the first Co-operative Society in the State the Bye-Law No. 2 quoted below will show that its object was mainly to finance the primary societies and develop the Co-operative Movement in Travancore.

*Bye-Law No. 2 is as follows:—"Its main object shall be:—*

- (a) To develop co-operative societies in Travancore.
- (b) To finance co-operative societies started in Travancore and to carry on banking business with such societies.
- (c) To control societies when affiliated by careful and regular inspection, and
- (d) To encourage thrift, self-help, mutual trust and confidence among its individual members."

Only in the last clause (d) provision is made to encourage individuals. In the clause under Loans also it was stated that they were in-

tended chiefly to finance co-operative societies. Since it was the first society provision was also made for lending money to individuals. But the Bye-Laws safeguarded that individual members should not predominate over the Institution. It was stated therein that out of 1000 shares originally prescribed for the bank not more than 500 should be allotted to the individuals, and out of the 7 members of the Board of Management not less than 4 should be the representatives of the societies when their number exceeds 50. Thus it will be evident that though it was the first co-operative society in the State the organisers intended that it should be the financing bank for the Movement in Travancore.

The first general body meeting of the bank was held on 5th Makaram 1091 M.E. (Jan. 1916). It was presided over by the late Dewan Bahadur A. Govinda Pillai, a retired judge of the Travancore High Court. The first Board of Management of the Bank was constituted that day with the late Dewan Bahadur S. Padmanabha Iyer, who for some time had been the acting Dewan of the State, as President, and the late Mr. A. Sri Narayanan Thampi, the son of His Highness the Maharaja Visakom Thirunal, one of the most celebrated Maharajas of Travancore, as the Secretary. The Bank opened its offices the very next day at the residence of the Secretary, with a capital Rs. 20 contributed by the President as entrance fee towards his shares. At the close of the first year the bank had 69 individual members and 16 society members contributing respectively 361 and 16 shares of the value of Rs. 100 each. The amount collected during the year in the shape of share capital was Rs. 8,340. Within a few months after the organisation of the Bank the Government was good enough to contribute a sum of Rs. 50,000 as a loan for 10 years. During the year the bank advanced Rs. 37,560 as loans to the societies and Rs. 150 as loans to the individuals. The loans were first advanced for two years at 9½ per cent interest per annum with a rebate of 2 per cent for punctual repayment. Slowly but steadily the transactions of the bank grew. Yet for the first five years the bank had to limit its transactions within the amount secured as share capital and Government loan. The deposits from the public came but slowly. When once the public began to trust the bank, the deposits began to pour in. In 1920, it had only a deposit of Rs. 230. In 1925 it grew to Rs. 2,27,480, in 1930 it was Rs. 11,94,000 and in 1935 it increased to Rs. 16,39,000. That was the peak year, so to say, for the bank. That year the bank had 711 society members, with a subscribed capital of Rs. 7,68,600, a paid-up share capital of Rs. 1,55,250, outstandings under loans to the value of Rs. 12,27,236, a working capital of Rs. 23,00,000 and a total turnover of Rs. 87,50,000. In 1924 there was a devastating flood in Travancore and to give relief to the sufferers, the Government kindly lent them large

sums of money, out of which Rs. 2,00,000 was lent to the members of the co-operative societies through the Central Co-operative Bank.

With the growth of the bank on its material side, changes were introduced from time to time in the method of its working and in its constitution. To begin with, the business of the bank was confined to the lending of money to its members. Slowly but steadily its sphere of activities was enlarged and now the bank does all sorts of general banking business not prohibited by Co-operative Regulation or Rules. The office of the bank was shifted to a rented building in the heart of the city of Trivandrum. A few years hence it acquired its own premises. In due course such alterations and enlargements were effected as to make the bank building one of the most attractive and beautiful in the city. The hours of business were confined to the evening to start with. A little after it acquired its own building, in order to give additional facilities to its constituents and to enlarge its general banking business, it had to keep open its offices from 10 A.M. to 4 P.M.

A small bank opened with an honorary part-time Secretary and a clerk developed in the course of fifteen years into an institution having several departments supervised by a Manager and controlled by a full-time Secretary. The growth of society members and their transactions necessitated the institution of a field staff to inspect and regulate the working of the societies which had borrowed from the Bank. When funds increased and the co-operative societies could not make use of all its available resources, the bank began to serve the purpose of an urban bank in the city. A large number of individuals joined the Bank and loans were issued to them on personal security. Even then the bank was left with very large surplus. This induced the bank to assume to itself the function of a land mortgage bank to advance intermediate loans, from 5 to 7 years. The bank thus advanced about Rs. 4,00,000 on the security of landed properties. The meetings of the Managing Committee, which were ordinarily held once a month or even at longer intervals, had to be held once a week, often even twice or thrice a week, each sitting lasting for 3 to 4 hours. The general body meetings seldom attracted the attention of the members in the beginning. For want of quorum it was not possible to hold some of the meetings. But as business increased, members began to take keener interest and meetings were largely attended. Some of the meetings were attended by 400 to 500 members and the time devoted at such meetings extended for several hours, so much so that the late Mr. G. K. Devadhar in his Report on Co-operative Movement in Travancore remarked with reference to one of the meetings he attended that "It is amusing to note here, in passing, that its sittings lasted for full 25 hours spread over three days,

and this suggests the urgent need of framing bye-laws to regulate elections and the conduct of annual general meetings.”

The bye-laws of the bank originally provided for a Board of Management with seven members, four representing the societies and three individual members. During the course of working it was found that to safeguard the interest of societies, they must have greater representation. Hence provision was made in the bye-laws to constitute a Board consisting of 21 members, 14 representing the societies and 7 representing the individuals. With the enlargement of the Board of Management, an Executive Committee was constituted with 5 members to attend to the details of the work in the bank. As the general body meetings had the power to thwart the decisions of the Board, and the meetings of the general body were more largely attended by individual members, the societies demanded plurality of votes at such meetings to their representatives, so that they may have a preponderating voice in deciding questions of policy. Finding that their demand was right in a bank which was organised and conducted for the benefit of the societies, the bye-laws were amended accordingly, even though the principle of “One man one vote” had to be given up. When an urban bank for the city was organised and the membership of individuals in the Central Bank was discouraged, the conflict of interest between the societies and the individuals ceased and hence the principle of exercising only one vote by every member has recently been restored.

The bank prospered under the management of a Board consisting of high retired officials, able public men commanding the confidence of the country and experienced co-operators possessing missionary zeal. The position of the bank then has been described in the Devadhar Committee Report thus:—“At the end of 1108 M.E. (1933) only about Rs. 12 lakhs out of a working capital of over Rs. 20 lakhs had been absorbed by the members of the bank (individuals and societies) and about Rs. 8 lakhs was invested with banks and the Government at rates of interest lower than those paid by the bank for deposits.” The surplus the bank thus enjoyed for several years continuously was not destined to last long.

Slowly but steadily the deposits and the transactions of the Bank began to decline. In 1935 they stood at Rs. 16 and Rs. 87 lakhs. In 1940 they came down to Rs. 7 and Rs. 25 lakhs respectively. The prime cause for this decline may be traced to the very success of the bank and the enviable position it commanded among the banks in the State. Naturally any Registrar would like to wield patronage over such an institution. Especially when the Registrar happens to be new to the office, his ambition for power would be greater. The Board of Manage-

ment resisted the interference of the Registrar. When confronted with resistance, the Registrar tried to dislodge the officers concerned from the Board. When defeated in this attempt the only course open to him, as expressed by Sir M. Habibulla, the then Dewan of Travancore, to a Deputation which waited upon him was to "strangulate the bank." The economic depression which set in by about 1920 and the consequent incapacity of the rural societies to make payments to the bank gave him a handle. He worked upon it and in this campaign of his, he was assisted by some ambitious individuals who hoped to come into power with the assistance of the Department. The campaign to demolish the faith of the investing public in the bank succeeded and the bank has thus come to grief.

Even though the financial position of the Bank now is unenviable, it is not bad. The balance sheet published by the bank for the year 1939 shows that its assets come to Rs. 14,59,705 made up as under:—

	Rs.
Cash in hand and in Banks	44,772
Investments in Government Paper	1,01,545
Loans and Overdraft due by Societies	6,80,946
Loans and Overdraft due by Individuals	4,10,636
Interest due	1,53,849
Other Assets	67,957
<b>Total</b>	<b>14,59,705</b>

The liabilities of the Bank that are to be paid out to others come to only Rs. 11,91,377, made up as under:—

	Rs.
Deposits	4,13,886
Reserve Fund and other Funds of Societies	3,09,213
Loan from Government	1,82,500
Overdraft from the Imperial Bank	94,447
Other debts due to outsiders	51,231
Paid-up share capital due to members	1,40,100
<b>Total</b>	<b>11,91,377</b>

The balance of Rs. 2,68,328 belongs to the bank itself, consisting of the Reserve Fund, Building Fund, undisbursed profits of the Bank etc.,

which are not returnable to any one. Hence unless the bank is to incur a loss exceeding this amount the interest of the creditors will not be affected. Even if according to the conditions of Debt Redemption Acts, the debtors are to avail of the concessions allowed to them, the bank cannot lose more than Rs. 2½ lakhs. Then, the capital of the bank will be secure and the timely repayments will be assured. The creditors including the share-holders will get back every anna in their rupee. In the matter of making payments also, the anxious days appear to be almost past. Out of the outside liabilities of about Rs. 12 lakhs, only Rs. 4½ lakhs is due to deposit holders. It seems that the Government have sanctioned an advance of Rs. 2 lakhs more to meet such liabilities. By careful handling it is expected that the bank will soon overcome the crisis.

The bank had been extremely fortunate to secure the services of very many leading citizens of Travancore to manage its affairs from the very start. I have already mentioned the names of the gentlemen who took part in the organisation of the Bank. Within the space available it is not possible to give the names of all who helped its progress. But not to remember at least a few will be a sin. Rao Sahib Udarasiromani T. Padmanabha Rao, and Rajyasevapravina G. Parameswaran Pillai (now a Judge of the Travancore High Court) during their long regime as President and Secretary secured to the Bank the confidence of the investing public. Rao Bahadur K. Narayanan Pandalai and Mr. E. Subramania Iyer during their regime, later on, as President and the Vice-President brought to the Bank the characteristics of a co-operative institution, and upheld zealously non-official control. Mr. R. Vydingom Pillai as Registrar (now retired) took great personal interest in the progress of the bank and rendered all assistance necessary for its growth. Mr. M. K. Govinda Pillai, the President now in office, had been associated with the management of the bank from its very start. He is striving his utmost to reconstruct and rejuvenate the bank. The co-operators in Travancore have reposed their confidence in him, believing that he will be able to achieve success through his ability and the unique position he holds in the Bar, in society and among the investing public.



## THE INDORE PREMIER CO-OPERATIVE BANK

By

W. T. KARAMEELKAR, B.A., LLB.,  
*Secretary.*

In 1914, a decade after the introduction of the Co-operative Movement in British India, the Government of Indore promulgated the Indore Co-operative Societies Act of 1914, modelled on the Co-operative Societies Act of 1912 which was in force in British India. The movement has since then gradually grown with the assistance and facilities afforded by the State. His Highness the Maharaja Sir Tukojirao III was graciously pleased to extend all necessary support for the initiation of this beneficent movement.

On the 15th of October 1915 the first primary agricultural co-operative credit society was registered. After opening 22 primary agricultural co-operative credit societies, the Co-operative Department felt it necessary to organise a co-operative central financing institution for our State. With this object in view the Indore Premier Co-operative Bank was started on the 14th of March, 1916, with a capital of Rs. 51,747: Share Capital Rs. 1320, Deposits amounting to Rs. 5100; and the total working capital of Rs. 51806; the number of affiliated societies was 22 with membership of 449. Now at the end of the financial year, 30th June 1940 the position in these respects was as follows:—

	Rs.
Share Capital	.. 138,565
Reserves	.. 189,867
Deposits	.. 1,960,832
Total Working Capital	.. 2,595,944
Loans to Agricultural Societies	.. 1,222,244
Share-holders	.. 1,371
Affiliated Societies	.. 523
No. of Village Societies	.. 491
No. of members of Societies	.. 10,532

The working of this Bank was practically entrusted to the staff of the Registrar till the end of the year 1920-21. Since then the Directors have been conducting the business of this Bank, with the Bank's own

staff. Since 1921-22, the Bank stopped advancing big or long term loans that might take years for their recovery. Even loans of intermediate type expected to be repaid within five or six years were discontinued from 1924-25, and by next year the policy of advancing only short term loans, that are termed as economic or productive loans, which are repayable from harvests ordinarily within a year has been adopted and scrupulously adhered to. The study of rural economic conditions and experience of rural finance enabled us to develop a sound system of financing short term advances for raising winter, summer and wet crops. The fixation of credits and maximum limit of loans to a member of the primary agricultural credit society and of giving advances within these limits are now governed by a policy settled on the basis of this experience and in consultation with the leading panchas of the societies and unions. The Registrar of Co-operative Societies is associated in the settlement of these policies and they are revised with his consent according to the needs of the time. An organisation has now been developed which is elastic enough to adjust financing to the local needs of the different tracts of the State. Branch banking has been introduced since 1926, which has brought the borrower into close contact with the financier and has provided a suitable agency on the spot for close supervision and guidance of affiliated societies. These branch offices contribute to educational activities and to the focussing of the views of the representatives of societies. All this enables this Bank to formulate its policies of business and help the societies in their development of Banking Union Centres in due course, and they would be managed purely by representatives of societies themselves.

**Re-organisation.**—Agriculture has suffered a very severe setback by the recent world wide economic depression and naturally the agricultural credit societies and central financing and trading institutions had to pass through a severe crisis. Overdues in respect of principal and interest are a common feature throughout India. Depression has, in fact, revealed the weakness and defects in the working of the movement. It has certainly brought home to the co-operators the immensity of the problem and has shown beyond doubt the necessity of adhering to the sound principles of co-operative credit. The importance of the moral aspect of co-operation has been fully recognised, and it is expected that the movement will purify itself and get infused with the real spirit of co-operation. This Bank has not been free from this problem of overdues. The advances made in the initial stages of its business were of the so-called long term type. In consequence of the series of bad years in respect of partial or total failure of crops and low prices of agricultural produce, the advances have become frozen. The

most important reasons which led to the inflation of overdues are the following:

(a) Inordinate delay in obtaining awards and in their execution through the Amins, due to want of adequate and special staff for recovery officers.

(b) Sudden fall in the prices of agricultural holdings caused by the restrictive and prohibitory provisions of the Land Revenue and Tenancy Act of 1931, which does not allow mortgages or sub-leasing of holdings and restricts sale to bonafide agriculturists only. Though the principles underlying this Act may, in the long run, be beneficial to the agriculturists, yet the Act coming into force simultaneously with the world-wide economic depression and immediately after the general enhancement of land revenue by a settlement effected two years before it has hit the poor agriculturists very hard. Their credit has gone down to the lowest level.

The remedies that have been thought of for realisation of these overdues may be briefly summarised:

- (a) Separation of these overdues in a separate Bank to be organised for such business of long term type;
- (b) Provision of long term funds for 20 to 25 years without interest for this new Bank. Such funds can only be had from the Government;
- (c) Pooling of the reserves of the affiliated primary agricultural credit societies and the Indore Premier Co-operative Bank for granting remission and other concessions for scaling down individual debts;
- (d) Fixation of long term instalments of such scaled down debts of the members on the basis of their paying capacity within a period of 25 years.

A scheme on these lines has been submitted before the Government and representations have been put up before them for the required State-aid. The Government in October 1940 appointed Mr. K. Ranga-swami Naidu, Joint Registrar of Co-operative Societies, Madras, to advise in the matter of the reorganisation of the Movement in the State. His report is awaited.

Though the final solution of this question is pending before the Government for more than twelve years, this Bank and its affiliated societies have already commenced to grant liberal remissions in interest and principal. Since 1928-29, this Bank has remitted interest to the tune of Rs. 2½ lakhs and written off the principal to the extent of Rs. 14,500. The socie-

ties have also adopted the policy of giving concessions in interest to their members, so far as their reserves permitted and in many deserving cases have totally cancelled interest. But this is not enough unless the State comes forward to extend necessary monetary help to rehabilitate the movement.

In 1931, a very important amendment was made in section 19 of the Indore Co-operative Societies Act 1914, which provides that after the Government dues in respect of land revenue and other kinds of demands, the outstandings of the co-operative societies against a member have a first charge over that member's properties, both movable and immovable. But the Act based on the All-India Act of 1912 requires much more changes to suit the present requirements and the question is being handled by the Department.

This Bank has modified its bye-laws from time to time according to necessity and has begun to do banking and has introduced a Department of Finance for advancing loans to its members on tangible securities such as gold, silver, produce and approved goods and shares.

The Bank has been fortunate in securing the continuous services of self-sacrificing honorary workers and the cordial co-operation of the Registrar of Co-operative Societies. Hence this Bank has been able to occupy the present prominent position in the money market of Indore and rendered real relief to the members of co-operative societies.

Ever since the Bank's management has been taken over by the Board of Directors, the Bank has tried to be self-reliant in all respects. The policy of financing short-term needs against securities was initiated by it; unlike in some British Provinces and Indian States, the official guidance or financial assistance from the State could not be had in the same manner and to the same extent as is found in those provinces or States. The Bank had to maintain staff for recovery of the dues from the members of the primary agricultural societies. The work regarding filing disputes, execution of awards, making compromises, the education of and supervision over the societies and their members, in fact all phases of the co-operative activity in respect of the Bank and its affiliated societies and their members are being looked after by this Bank.

This Bank with the help of the Registrar of Co-operative Societies has organised a Central Co-operative Institution for education and propaganda called the Indore Co-operative Central Association and has also started another Central Institution called the Indore Co-operative Central Sale and Supply Society for helping the agriculturists and members of village co-operative societies in the sphere of trade. The Bank has been materially helping these institutions. The Indore Co-operative

Central Association has been receiving substantial monetary contributions for its activities. The services of the directors and the staff of the Bank are also placed at its disposal for conferences and meetings of unions and for such other propaganda and educational activities of this Association. The Indore Co-operative Central Sale and Supply Society, despite the help from this Bank and the State, did very little business chiefly on account of the economic depression and had to be liquidated due to heavy losses. Such a society was expected to play a great part in raising the income of members of village societies, in the collection of arrears and even in introducing practical ways of enforcing thrift by running Bij Bhandars among members of agricultural credit societies.

The problems before the Bank for being tackled are :—

(1) The question of heavy overdues of long term type referred to above and the long term loan free of interest from the State.

(2) The appointment of special recovery officers to execute awards against societies and their members.

(3) With the transfer of the long-term dues to a separate institution, this Bank can play the role of an apex bank, as is contemplated in the scheme of 'arrears bank,' and would confine itself to short term finance, as is done at present in the new branches with the idea to develop intermediate credit in due course.

It has been observed that only short finance for agricultural operation to the members of the primary agricultural credit societies is not paying enough to maintain necessary branch staff. Experience has shown that the small investments in these branches for a period of five to six months do not yield sufficient income to cover the expenditure with regard to payment of interest on deposit-money utilised by the branches and with regard to the management expenses for an adequate staff in those branches. The bank had, therefore, submitted representations to the Government to kindly grant subsidies for maintaining adequate staff and loan on nominal rate of interest and also grants for educational and propaganda activities which are vital for the proper development of the movement in the newly expanded tracts.

With the separation of the long term over-dues this Bank will have to expand its business in new tracts not yet explored. The idea would be to expand the movement throughout the State. A study of economic conditions in different districts of the State will give an idea that in at least two districts the movement would not be economically successful for a number of years. These districts are Rampura-Bhanpura and Nemawar. Though in other parts of the State this Bank would, with the

help of subsidies mentioned above, try to develop its activities by organizing new societies and branches, yet in these backward tracts the Bank will have to solicit further help from the State. It is possible that in the initial stages for a few years, the movement in these backward tracts may be started with the help of Government finance managed by the Bank on agency lines. During these years experience would show whether the movement there would economically be a success or not. If it is seen that it can run, the Bank should undertake responsibility of financing the societies there on its own account, the Government finance being repaid.

(4) The expansion of the movement throughout the State for extending facilities of cheap credit initially for short term and subsequently for medium term would not completely meet the problem of the agriculturists. That problem has to be tackled on all sides, with the provision of short, medium and long term finances at moderate rates of interest, the provision of marketing of their produce to enable the members to get fair return for their labour and capital, so as to liberate them from the clutches of the wily mahajan of the village.

In the absence of suitable organization for the marketing of produce, the Bank with the permission of the Registrar of Co-operative Societies has undertaken this activity for the last three years. The Bank opens Adat Shops at suitable centres for the sale of produce during the season. Experience shows that these shops can run well. But the need of a central organization for this activity is strongly felt. The present Cotton Market Rules also require certain amendments.

(5) A question regarding the merging of other central banks in the State with this Bank is also under consideration and a move in that direction has been made for merging of two central banks.

# Statement showing the Growth of the Indore Premier Co-operative Bank.

Year	No. of members		Reserves					Outside Investments					Loans due by					Working Capital
	Individual	Social	Shares	Fixed Deposit	Saving deposit account	Current account	Statutory	Bank's own fund	Loan	Management expenses	Net profits	Bank's Securities	Government Securities	Other	Privilege Agt. Co-op. Society	Other Securities	Against tangible Securities	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1920-21	500	119	57920	369742	148506	...	27893	...	76397	5312	13591	...	...	...	738355	...	...	718233
1921-22	507	119	63905	384536	185669	...	44837	...	...	6804	17834	...	...	50180	661553	...	...	714939
1922-23	477	119	69030	428069	219994	...	61026	...	...	7944	13872	23403	...	149405	632193	...	...	815490
1923-24	510	140	78300	453506	234576	...	70398	4073	...	8532	15337	6116	74343	50717	722732	13145	930	834523
1924-25	560	141	90185	478020	235708	...	78334	9363	...	9033	21331	567	74343	93671	733402	15034	3133	935370
1925-26	575	148	101090	563736	261460	...	83914	15153	...	20219	19305	103037	74343	91034	774279	9783	2333	1077331
1926-27	576	212	109655	691200	345221	...	99249	23955	...	12918	23047	212200	74343	123412	859170	10323	3733	1337104
1927-28	577	252	118370	976306	338102	...	110736	31636	...	19503	18349	509492	183229	61362	877153	19333	6547	1699334
1928-29	602	252	122400	862071	373575	...	122945	37334	...	21533	13779	41555	249335	10300	831017	47939	2510	1521215
1929-30	583	255	126050	929264	411662	...	127644	50971	...	22511	20520	364650	225572	15910	830320	41933	125449	1635557
1930-31	655	326	129137	959357	395222	27778	132775	54546	42450	25523	21755	322534	251534	19305	900715	61752	213435	1794196
1931-32	642	365	131000	1067783	384924	13912	133215	42233	39773	24428	27333	349215	233050	15500	951723	95041	165229	1832314
1932-33	678	389	133025	1233786	461337	29953	100000	87152	21465	25829	24431	130193	452738	15500	900921	74133	333704	2134590
1933-34	694	443	134162	1317071	531050	30347	136103	72307	...	27711	27428	131590	535901	16140	1043337	65743	417950	2271027
1934-35	724	446	134687	1433398	574865	36492	112955	65298	...	30367	27538	43533	621532	16550	1043515	70395	55250	2453333
1935-36	753	416	135550	1464335	531127	55553	119334	50790	141238	31952	31270	210535	770230	17100	1071165	69294	329335	2531539
1936-37	788	479	136525	1515987	563617	49395	127927	44257	25000	34911	34393	250259	737339	17100	1041137	72503	270550	2437794
1937-38	791	508	137137	1588408	522492	69155	135532	33710	245000	33469	37973	331994	702978	17100	1038055	62153	419529	2793933
1938-39	807	519	137962	1563562	461948	45601	146146	46334	97753	37737	34534	195513	724945	17100	1154550	61548	311912	257418
1939-40	848	523	138555	1416133	475639	69007	103634	81233	234233	34560	23109	135455	721945	21525	1150010	61713	350500	250004

# THE RESERVE BANK'S ADVICE TO LAND MORTGAGE BANKS ON SINKING FUND AND A HIGH MARGIN

By

V. S. RAMASWAMI IYER, B.A.,  
*Madras Co-operative Service (Retired)*

When dealing with the importance of specialisation, L. R. Dicksee, himself a Britisher, refers to the "illimitable conceit of the Britisher who in his heart of hearts thinks that he can do everything without the assistance of specialists." He writes "We shall no doubt muddle through in the majority of cases, in the typical British way, but at the usual heavy expenditure in the way of lost energy and lost wealth".<sup>1</sup> This characteristic muddling through of the Britisher is found in the organisation and the working of the land-credit institutions in the Madras Presidency. This great and difficult problem, requiring much technical knowledge and for the study of which a special Commission was sent from America to Europe, has been rather haphazardly started and worked in Madras. A critical examination of the working of the Madras Central Land Mortgage Bank and the Primary Land Mortgage Banks, particularly the way in which long-term debentures are floated and redeemed without much forethought or continuity of policy, reveals the regrettable fact that no expert in mortgage-banking has had a hand in its shaping. It is a pity that the Reserve Bank, from which we naturally expect some expert advice and guidance, seems to be lacking in persons who have made a special study of land-credit institutions.

The very constitution of the Madras Central Land Mortgage Bank with the bye-laws of ordinary co-operative credit societies providing for democratic control by a large body of individual share-holders having no common need or interest is defective. As regards state aid, the Government guaranteed interest alone at first and then both principal and interest. At first debentures were issued for relatively short periods, withdrawable after notice. Now are issued twenty-year debentures, non-withdrawable for the first 10 years. Under existing conditions it is a mistake to have issued all of them for 20 years. What are they going to do with the large amount of repayments of principal that may be received year after year during the first 10 years, when they

1. *Business Organisation*, p. 59.



have been made non-withdrawable? When invested, it may not yield the debenture rate of interest. This mistake will be realised in course of time. When a suggestion was made for the issue of debentures with varying periods of maturity, the authorities of the Central Land Mortgage Bank were unable to appreciate the suggestion. Then again, the Bank was obliged to fix 1 per cent more than the debenture rate as the maximum dividend payable on share capital. The Government insisted on the Bank carrying forward 40 per cent of the net profits to the Reserve Fund. Now, on the advice of the Reserve Bank, the Local Government have directed the Bank (1) to create a special sinking fund for each issue by setting apart sums annually which at compound interest will at the end aggregate to the amount of the issue, and (2) to provide for a 3 per cent margin between the debenture rate of interest and the ultimate rate charged to the borrower. Since the debentures are guaranteed by Government the Bank has no option left but to obey. The Bank has accordingly created a sinking fund for each issue. Let us examine closely this scheme of a scientific sinking fund.

A brief description of the present method of flotation of debentures and their redemption may be given here. The borrowers mortgage their lands for the amounts borrowed by them in favour of the Primary Land Mortgage Banks. These Banks transfer these mortgages to the Central Land Mortgage Bank, which issues debentures on the security of the mortgages so transferred. The Madras Land Mortgage Banks Act specially authorises the Primary Land Mortgage Banks to receive payments on behalf of the Central Land Bank. The repayments towards principal are under the control of the Trustee, who is the Registrar of Co-operative Societies, and they are sent to the Central Land Mortgage Bank intact from time to time. A register of mortgages is maintained by the Central Land Bank in which the repayments are noted. Each issue is kept separate. The total amount thus credited to the different issues is called the Debenture Redemption Fund. Debentures have been redeemed from this fund from time to time without allowing too much accumulation, in accordance with the conditions of issue. Thus the Debenture Redemption Fund of the Bank has been the *de-facto* Sinking Fund.

The statutory obligation to provide for the absolute security of debentures and their proper redemption is contained in Section 4 of the Madras Land Mortgage Banks Act. It lays down that "the debentures in circulation shall not exceed the total amount due on the mortgages plus the amounts paid under these mortgages." The Trustee, who is the Registrar, is in complete control of everything. The amounts of principal repaid constitute the Debenture Redemption Fund which is

under his special charge. This is the most important provision and forms the foundation for the issue of debentures and their proper redemption.

The Royal Commission on Agriculture have advised in connection with mortgage banks that since contracts and agreements have to be made for pretty long periods, much forethought is necessary in drawing them up and continuity of policy is essential.<sup>2</sup>

## I. SINKING FUND

Sinking Fund is a fund created by means of periodical instalments, invested in securities and accumulated at compound interest. The object of such a fund is to provide a definite capital sum at a definite date wherewith either (a) to redeem a liability or (b) to replace an asset. In regard to the creation of such funds, L.C. Cropper states that the annual instalments are not a charge on profits, but they cannot be paid other than out of profits.<sup>3</sup> Companies, Corporations and Governments which borrow large sums by the issue of debentures adopt this general method. Though the main principle is the same for all, different classes of institutions adopt different methods. The sources from which the periodical instalments come and the calculation of the annual instalments according to the periods of maturity etc., differ according to the business and convenience of the institutions. But in all of them there is the *definite sum* and there is the *definite date* of maturity. Hence their chief concern is only to get this definite sum on the definite date. But the annual instalments are found from profits in companies, from income in Corporations and from Revenue in Governments. The factors involved, viz., the definite sum, the definite date, and to a certain extent, the annual profits or income are constant. Some provision may have to be made for the variations in the return from investments. Everything is regular and precise and so susceptible of accurate treatment that the method may be called a 'Scientific Sinking Fund.' Is the sinking fund recommended by the Reserve Bank really one of this type?

In the case of the Madras Central Land Mortgage Bank these factors are not so definite and constant and there are also many points at variance between the operations of this Bank and those of other institutions cited above. The main object of our Land Bank is not profit, but service to the borrowers who are agriculturists. The Sinking Fund

2. Report, p. 466.

3. *Higher Book-keeping*, p. 51.

has to be formed not from the profits or income but from the amounts of principal repaid by member-borrowers. The borrowers of the Primary Banks have been given the privilege of making advance payments of their loans if they can. Even the entire loans may be repaid in full at any time. In fact this phenomenon inconvenient from the standpoint of the Bank, may be expected in land banks whenever there is a steep fall in the market rate of interest. This is only natural, as the borrowers would like to convert their debts bearing higher rates of interest to those bearing lower rates. These repayments from members must necessarily go to the Central Land Bank in the usual course; and that bank, can ill afford to keep these heavy sums in the Sinking Fund for a large number of years. Because the rate of interest on Sinking Fund investments would be generally lower than the debenture rate there would be heavy loss on that account. Hence these banks are obliged to find every opportunity to redeem debentures, either by purchase in the open market or after notice, or by fixing the date of maturity earlier according to the expected annual principal repayments.

It is only with a view to avoid such losses that land banks provide for the withdrawal of debentures after notice. Even according to the revised conditions in Madras, they are withdrawable after 10 years. Thus the major portion of the issue should have been redeemed long before the *definite date*. When there is no definite sum due on the definite date, how could the annual instalments be calculated? Thus the factors which are pretty constant in companies etc.—definite date and definite amount and pretty definite income—are indefinite here. Thus the problem differs very much from the companies. Hence they cannot follow the ordinary plan of the 'Scientifically devised Sinking Fund' and must adopt a different plan.

On account of the indefinite factors mentioned above, the creation of a sinking fund and the redemption of debentures, without hardship to the ultimate borrower on the one hand and without loss to the Central Land Bank on the other, are not simple. The method to be perfect should (1) enable the borrowers to get money at as cheap a rate as possible and repay in convenient instalments with liberty to pay in advance at any time, (2) cause no loss to the bank, which means no loss to the borrowers themselves as this is a co-operative concern and (3) offer such facilities to investors as would attract funds at cheap rates. These objects cannot be achieved by means of a cut and dry scheme of Sinking Fund and the high margin of three per cent. enunciated by the Reserve Bank.

The Reserve Bank seems to be afraid that the Central Land Mortgage Bank may not find it easy to pay for the debentures at the time

of maturity. As stated already, a major portion of them would have been redeemed, from out of the repayments made by borrowers towards principal. If at all, there might be an insignificant balance due to defaults. It should be remembered that the Land Mortgage Banks Act provides for summary recovery procedure for the collection of instalments. Therefore, the Reserve Bank's fear is unfounded, and is due to a misconception of the real problem of the land banks. They seem to have placed the Central Land Bank on the same footing as companies and corporations which spend away the borrowed capital and may not be able to redeem the debentures in time or borrow again if necessity arises. In the case of the Central Land Bank so long as the mortgages are there, if the basic statutory obligation that the debentures in circulation shall not exceed the value of mortgages *plus* the debenture redemption fund is followed the balance of mortgages must be there and debentures can be floated again to that extent.

This will be made clear by a concrete example below. Let us assume that debentures to the extent of Rs. 2,00,000 have been floated and they are being redeemed from the repayments of principal from time to time.

The Basic formula is :—

Debentures in circulation = Mortgages + Repayments.\*

<i>Debentures in circulation</i>	<i>Mortgages</i>	<i>Repayments</i>	
Rs. 2,00,000 =	Rs. 2,00,000 +	Rs. ...	At the time of Issue. 1
Rs. 2,00,000 =	Rs. 1,00,000 +	Rs. 1,00,000 ..	when Rs. 1,00,000 has been repaid. 2
Rs. 1,00,000 =	Rs. 99,000 +	Rs. 1,000 ..	when Rs. 1,00,000 Debentures have been redeemed 3
Rs. 10,000 =	Rs. 9,000 +	Rs. 1,000 ..	in the 19th year when all but Rs. 10,000 Debentures have been redeemed 4

\* Instead of *shall not exceed*, *equal to* has been taken. It can be easily understood and is also not incorrect.

It may be seen that, for the unredeemed Rs. 10,000 debentures we have Rs. 9,000 in mortgages, and Rs. 1,000 in the sinking fund. The Bank can certainly raise money by floating debentures again on the Rs. 9,000 mortgages available, even though it may be at a higher rate. Therefore the fear of the Reserve Bank is unfounded.

The debenture issue of the Central Land Bank is more akin to the note issue of the Reserve Bank than the debenture issues by a corporate body. Instead of the bullion and the rupee or sterling securities, we have the mortgages of land, which are in no way inferior to those securities. The Bank's responsibility consists mainly in a careful adjustment of the withdrawal of debentures and fixing their maturities to suit the expected annual repayments of principal. The real problem for them is not to find money on the definite date but how best to invest the instalments of principal repaid, including the advance payments, and redeem debentures as early as possible subject to the conditions of issue. The bank is free to use only the interest received. It must in accordance with the statute keep the principal payments either in the redemption fund or must redeem debentures.

It should be clearly understood here that the entire arrangement to float and redeem debentures described above has been conceived as a whole, and everything designed to form one system. The laws and various agreements and contracts have all been framed and drawn up to suit this system.

Thus Sec. 4 of the Madras Land Mortgage Banks Act provides for the floatation of debentures and the creation of a special fund, made up of repayments towards principal to redeem debentures.

Sec. 31 of the same Act empowers the primary land banks to receive payments under the several mortgages and to grant valid receipts.

Regulations 9 and 10, framed by the Central Land Bank under section 38 of the above Act, provide for the prompt remittance of these repayments and the periodical settlement of accounts.

Clause 7 of the Trust Deed provides for the carrying forward of all principal repayments to a fund called the Debenture Redemption Fund—the real sinking fund.

Bylaw 40 of the Central Land Mortgage Bank and bylaw 48 (a) of the Primary Land Banks provide for the repayment of loans by 20 annual equated payments.

4. The mortgage deeds, executed by the borrowers to the primary land banks, and the assignment deeds, executed by the primary land banks to

the Central Land Bank, also provide for the repayments by annual equal payments.

Thus all laws, bylaws, contracts and agreements have been drawn up to suit this system. Any material change in the method at one stage of the system without a suitable alteration at other stages must end in difficulties and confusion. Did the Reserve Bank examine all this before giving their advice? Did they find any serious defects in the present system? Were they satisfied that the existing contracts and agreements would permit of their new method being introduced without alterations? Further examination in the following paragraphs will show that the Reserve Bank does not seem to have bestowed that serious attention on these points, which the importance of the subject requires.

It has been stated above that the foundation for the debenture issue is the formula: debentures in circulation shall not exceed the value of mortgages plus the amounts repaid under these mortgages. It may be stated here that the German law lays down that this relative equilibrium should be published periodically in their official gazette and in selected newspapers.<sup>4</sup>

The Reserve Bank has not stated anything about the Bank's debenture redemption fund. Do they consider that the accumulation of repayments to principal is not as good as their scheme of setting apart sums every year so as to aggregate to the required total at the end? What exactly is to be done with the annual stipulated repayments of principal and of the advance repayments? These perhaps are expected to be utilized in business, provided the required instalments are set apart. The Central Land Bank followed a plan of redemption of debentures, which was suitable to land banks and for which alone the law provides.

Let us examine the two methods by a comparative statement, taking a concrete loan of Rs. 1,000. The annual repayments in the ordinary course for the two methods are noted below.

Re. 1 invested every year at 3 per cent compound interest—a reasonable rate—will amount to Rs. 25·87 in 19 years and Rs. 27·68 in 20 years. (Annuity tables). Therefore, to get Rs. 1,000 at the end of 20 years according to the Reserve Bank plan we have to invest about Rs. 40 every year.

As the principal repayments from the borrower go intact to the Central Land Bank, and as they form the basis of this scheme they have been noted. With regard to interest what the Central Land Bank actually receives—5½ per cent—is taken into account.

4. German Land Mortgage Bank Act, 1899, Sec. 23.

The bank is floating debentures at  $3\frac{1}{2}\%$ . It lends at  $5\frac{1}{2}\%$  to the primary land bank, and the borrower gets it at  $6\frac{1}{2}\%$ . The interest is given at equated payments for the two rates— $5\frac{1}{2}\%$  and  $6\frac{1}{2}\%$ .

	The old method—D R. Fund			Reserve Bank's method		
	Interest		Principal	Principal	Interest	
	At $5\frac{1}{2}\%$	At $6\frac{1}{2}\%$			at $6\frac{1}{2}\%$	
	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.	
1st year	55 0 0	65 0 0	25 12 1	40 0 0	65 0 0	
2nd year	53 6 8	63 5 2	27 6 11	40 0 0	62 6 5	
3rd year	51 12 1	61 8 8	29 3 5	40 0 0	59 12 1	
....	....	....	....	....	....	
....	....	....	....	....	....	
8th year	41 15 4	50 11 8	40 0 5	40 0 0	46 12 1	
9th year	39 0 7	48 2 1	42 10 0	40 0 0	44 2 6	
....	....	....	....	....	....	
....	....	....	....	....	....	
19th year	8 7 11	10 11 10	80 0 3	40 0 0	2 9 7	
20th year	4 5 9	5 8 7	85 3 6	....	....	
			1,000 0 0	760 0 0		

Total accrued in 19 years  
at 3% is Rs. 1,034 8 0.

It may be seen that while it is enough for the borrower to pay Rs. 90-12-1 every year, according to the old method, Rs. 105 should be paid in the first year according to the Reserve Bank method, which goes on decreasing to Rs. 42-9-7 in the 19th year. (For easy calculation 19 years has been taken).

While in the old method the total of all principal repayments amounts to Rs. 1,000 in 20 years, the total amounts to only Rs. 760 in the Reserve Bank method. But the sinking fund would have accrued to Rs. 1,034-8-0 at the end of 19 years, which will be more than enough to redeem the Rs. 1,000 debentures.

It may be seen that until the 8th year the repayments in the old method towards principal are less than Rs. 40 which is the annual instalment required under the Reserve Bank method. After that year it is more than Rs. 40, which excess need not go to the sinking fund and hence may be utilised otherwise. This will be against Section 4 of the Madras Land Mortgage Banks Act.

The old method avoids heavy repayments towards principal in the early years. Consequently less amounts will go to the sinking fund; and

this in turn will avoid the risk of loss that may arise out of larger amounts being kept in the same, due to fluctuations in the rate of interest. In the Reserve Bank's method larger amounts will be in the sinking fund and there will be greater risk of loss. Naturally this risk should be provided for by insurance in the shape of an additional levy of interest on the borrower. Thus that method must be more costly.

Though it may be possible to observe the basic formula in the earlier years, as years pass by, when greater attention is paid to the required annual instalments under the Reserve Bank method, the control over the principal repayments will become impossible. Because a mortgage of Rs. 1,000 will have to be cancelled after an actual payment of only Rs. 760, the balance having come from the compound interest.

There is no connection at all between the actual receipts as per contract, Rs. 25-12-1 towards principal in the first year and the Rs. 40 that has to go to the sinking fund in that year and every succeeding year. The first is on the equated payment of principal and interest, while in the second Rs. 40 is constant and the interest varies.

It is thus clear that the Reserve Bank method cannot work and is unsuitable to the Central Land bank.

The annual instalment of Rs. 40+Rs. 65=Rs. 105 is too high and far beyond the capacity of the borrower to be accepted as a business proposition. It may be seen from the above statement that Rs. 105 should be paid in the first year. It is an admitted fact that land does not pay more than 4 or 4½ per cent at the most. Thus the Rs. 2,000 worth of land mortgaged will fetch only Rs. 80 or Rs. 90 at the most, whereas in the other case Rs. 105 has to be paid. Where from should the balance come? It is bad business to expect it from other sources. It is also bad not to allow a decent balance to the borrower, after paying the instalments, to enable him to live. Again the borrower may die or something untoward may happen and the bank may have to take charge of the mortgaged property. There should be some margin to meet the charges of collecting rent in that case. Hence taking into consideration all these facts there should be an expected balance of about Rs. 25 over and above the annual instalments. Else it must fail as a business. In the method of equated payments, he has to pay only Rs. 90-12-1.

As the Reserve Bank method is not backed up by contracts it should not have been accepted. Unless it is backed up by proper agreements between the several parties it is impossible to work it up. To ensure the carrying forward regularly by the Central Land Bank of Rs. 40 every year the mortgage deeds of borrowers should provide for the repayment



of at least that amount towards principal. There should be a corresponding provision in the deed executed by the primary land bank to the Central Land Bank. To enable these changes to be done in the deeds, the bylaws of these two institutions also should be altered. Hence it is wrong on the part of the Government and the Bank to have accepted the principle without making the necessary alterations, assuming that the Reserve Bank method is better than the older method. Even so, it can be made applicable only to future issues and loans. The present method must continue for all the existing issues of debentures and loans.

However actual experience has shown that there was no difficulty to contribute the required quota to the sinking fund. For, the secret is that as against a demand of about Rs. 2½ lakhs nearly Rs. 7 lakhs have been credited to the sinking fund. (Page 5 of the Bank's report for 1939-40). This was found possible on account of some extraneous causes. Advance payments towards principal in some cases, appropriations from interest, which is generally more than the amount required to pay debenture holders etc., in the earlier years and the very large margin between the debenture rate of interest and the ultimate rate to the borrowers, all these account for this position. This should not be depended upon and taken as a proof that their method is sound in practice. It must be accepted by all that the adoption of a method not backed by contracts is bad in principle, especially when we are dealing in crores and for 20 years and more.

Before concluding, it may be helpful for the future management of the bank, to know what the oldest banks in the world (*Landschaften* of Germany) and those of more recent origin (The Federal Land Banks of the United States) are doing in the direction of redeeming debentures by sinking funds. The following extracts give in a nutshell what they do:

Nicholson writes in his famous report about the Sinking Fund of *Landschaften* :—

"There are as many divisions of the sinking fund as there are series of debentures and each division is subdivided into as many accounts as there are loans. Each instalment on a loan is posted to its proper account and accumulates at interest to the credit of the debtor, the aggregate amount being utilised in half-yearly cancellation of debentures belonging to the series. It is permissible to the debtor, as soon as the amount at his credit has reached a definite proportion of his debt from 1/10th to 1/4th to demand that his mortgage debt be reduced by that amount. (Page 54, Nicholson's Report).

Cahill reports on the same banks :—

"It is however the general rule that the contributions towards redemption are not applied to the immediate reduction of the debt but accumulated in a special fund."

"From the standpoint of the land banks, the importance of the sinking fund consists in the fact that it provides reserve security for the bonds in case of loss." (page 13 Cahill's Report)

The Reserve Bank will do well to note this point. Sinking fund is used to strengthen the security of Debentures in addition to their redemption .

In the Federal Land Banks of the United States the redemption of debentures is easily done without loss by fixing their maturities according to the expected repayments.

"The bonds are issued by the United States Treasury in denominations of 25, 50, 100, 500 and 1,000 dollars and run from a minimum of 5 to a maximum of 40 years . . . . The Registrar supervises the application of all payments of principal from borrowers to the mortgage bonds. The payments received by the land banks in respect of principal and interest constitute a Trust Fund, which is supervised by the Registrar."<sup>5</sup>

If the Reserve Bank is not pleased to accept its mistake and withdraw its method, it might please itself by giving some additional trouble to the Central Land Bank. The Bank should calculate and watch half-yearly or yearly that their quota to the Sinking fund is added. The calculation of this amount will become difficult and complicated, as debentures are purchased in the market, or redeemed after 10 years. The *definite amount* will go on diminishing, and credit should also be taken for the already accumulated compound interest on the amounts, with which debentures would have been redeemed. All this will be sheer waste of time. Even then it will be a dead letter. The interest accruing on the Sinking fund is also going to give trouble. Should the Bank be allowed to take credit for it or should it accumulate ? The Reserve Bank, it is hoped, will realize its mistake, and it will have to decide on this point sooner or later. Right and justice will prevail in the end, but the *muddling through* cannot be helped.

## II. THE THREE PER CENT MARGIN

A margin between the borrowing and the lending rates is necessary to meet the administrative and other expenses, and also to provide for different reserves, to carry on the business on sound lines. There are many factors that should be considered in a land mortgage bank, before fixing this margin. Our foremost consideration here is the interest of the borrower himself. For the very bank has been created for him. His capacity to repay the instalments punctually depends upon the return

from land which is quite low. The margin, therefore should be as low as possible. There must be some balance also left to enable him to live. The present set of borrowers should not be taxed unnecessarily for the benefit of any future borrowers. Instead of concentrating all risks on the Bank itself it is desirable to distribute them as far as possible at different stages among the borrowers. With a view to err on the safer side the margin should not be fixed arbitrarily high without any data. The experience of land banks of other countries should be made use of. Has the Reserve Bank fixed the 3 per cent margin after taking into consideration all these points? To satisfy the borrowers and the primary and the Central Land Banks, it is desirable that the Reserve Bank publishes its findings in this respect.

Now let us examine these points critically.

1. No argument is necessary to show that our primary consideration is the borrower. Bankers are liable to err in this respect, as they naturally care more for themselves than for the borrowers. With selfish motives they may offer some convenience to them, but this should not be the interest on their advancement. It should be borne in mind that the Central Land Mortgage Bank and the primary banks are only intermediaries between the actual borrower and the debenture holders, created by human ingenuity for the special purpose of providing him with long-term money.

2. The next point is the capacity of the borrower to repay the instalments *punctually*. If for the sake of running the bank easily we fix the margin too high, the business itself will come to a standstill. There is not the slightest doubt that the business will meet with such a fate, if the 3 per cent margin is insisted on and the rate of interest on the debentures goes above 4 per cent. The ultimate source for the borrower is only land. How much does it pay? The net return from land is estimated at from 3 per cent to 4 or 4½ per cent. The recent Madras Committee has estimated it at 'about 5 per cent' (p. 180). So 4½ per cent is a safe rate. I give below a statement showing the balance left to the borrower in the return from land after paying the equated payments at different rates of interest at 3 per cent margin and then at 1 per cent margin.

## LOAN OF RS. 1,000 (LAND VALUE RS. 2,000)—20 YEARS

Rate of Interest	Margin	Total	Annual Equated payment	Net-return		Net-return		Net-return		
				3½%	Balance	4%	Balance	4½%	Balance	5%
			RS. A. P.	RS.	RS. A. P.	RS.	RS. A. P.	RS.	RS. A. P.	
3%	3%	6%	87 3 0	70	—(17 3 0)	80	—( 7 3 0)	90	2 13 0	12 13 0
3½%		6½%	90 12 1		—(20 12 1)		—(10 12 1)		—( 0 12 1)	9 3 11
4%		7%	94 6 3		—(24 6 3)		—(14 6 3)		—( 4 6 3)	5 9 9
4½%		7½%	98 1 6		—(28 1 6)		—(18 1 6)		—( 8 1 6)	1 14 6
5%		8%	101 13 8		—(31 13 8)		—(21 13 8)		—(11 13 8)	—( 1 13 8)
3%	1%	4%	73 9 3	70	—( 3 9 3)	80	6 6 9	90	16 6 9	26 6 9
3½%		4½%	76 14 1		—( 6 14 1)		3 1 11		13 1 11	23 1 11
4%		5%	80 3 11		—(10 3 11)		—( 0 3 11)		9 12 1	19 12 1
4½%		5½%	83 10 10		—(13 10 10)		—( 3 10 10)		6 5 2	16 5 2

It may be seen from the above statement that we have only a minus balance with a 3 per cent margin. We must see that there is a reasonable balance left for him to live and clear our loan. If this cannot be done the sooner he sells his land the better it is for him and for the bank. With a view to enable him to have a balance you may increase the period of repayment to 30 or even 40 years; or you may be more stringent in your valuation; or you may lend only 30 per cent of the value of land; or you may do anything which human ingenuity can devise to enable him to keep up his obligations and have some balance to live. But what you do must be fair at least on paper calculations, and not impossible, as it is now.

Here again, the return from land is not the same everywhere. Deltaic tracts pay only 3 to 3½ per cent. Dry parts pay more. But there is the risk of failure. The borrower in the deltaic parts cannot pay more than 5 per cent. If this rate is not possible for you to arrange, you can as well close your business there. Already the overdues from borrowers amounted to Rs. 1,52,563 on 30—6—1940. Out of this those that have been closed and decreed amounted to Rs. 1,30,423. The defaults are found in 49 primary banks out of 119. If the C.L.M.B. is forced to take possession of lands, as co-operative societies are now compelled to do, will the debentures command any market? In considering this point you should forget for a moment the Government Guarantee, and view the question without it. Thus the capacity of the borrower is the most important factor. Hence there is the absolute necessity to fix the margin as low as possible.

3. Lending on the mortgage of immoveable property up to 50 per cent of the value, is a very safe business. There is practically no risk at all. Still to cover up any small risk you have the share capital and reserve funds of two institutions. If you want further safety create a reserve liability which will not cost the borrower anything. This may be created either in the primary banks as in the United States, or in the C.L.M.B., or in both. But do not increase the margin.

It is on account of this safety that such debentures always command good confidence, greater than government securities in some European countries. During the last war even in India, the ordinary co-operative banks themselves commanded greater confidence than Government securities, as evidenced by the fact, that while Government had to double its rate of interest, Co-operative Banks were not compelled to raise their rates much. Hence there is no necessity to create a large reserve for bad debts in this business.

4. Then again, the very large volume of business (it is dealing in crores) without the necessity to increase correspondingly the cost of management does not warrant a large margin. In this business it is the initial valuation that is troublesome and costly. It is a mistake to mix it with the working expenses as the bank seems to be doing now. This may vitiate decision in the fixing of this margin. When once a loan has been disbursed, there is not much work to do. The annual verification of properties will be attended to by the primary banks. Periodical repayments should be insisted on and the law gives all the help it can do. Thus by spreading the costs over a very large sum, the percentage must work up to a small figure. The actual figures for 1933-34 show that about 21 per cent only is spent for administration, excluding of course the cost of Deputy Registrars. The German banks manage with a smaller percentage.

5. Equity requires that the present set of borrowers should not be taxed heavily, if we can avoid, for the convenience of the future borrowers. No doubt business principles require a margin to meet contingencies. But it should not be disproportionately high.

In this connection it may be interesting to know that some land banks of Germany go to the extent of returning a portion of the reserve or guarantee fund which they collect in addition to administration expenses. They give loans at the debenture rates.

Nicholson writes :

"Further in some banks the reserve belongs to the members. The banks' risks are solely those which arise from its debtors, and it is therefore deemed equitable that when a debtor has paid off his debt, he should be credited with what he has paid as a guarantee against any risks from his debt. It is usual in such cases to credit him with the amount for his last instalment." (page 61, Nicholson's Report).

This shows how scrupulously careful they are to safeguard the interests of the borrower.

6. In ordinary banking the whole burden to meet all the administration and other expenses and to provide reserves for all contingencies falls on the bank itself. In land banks it is not so. Since the borrowers are unable to bear a large margin, they should necessarily co-operate in the work of the bank. Not only the risk but also the work should be decentralized and the borrowers must bear a portion themselves. In some banks it is obligatory for a member to do bank's work gratis when called on to do so. All these are adopted only to have a low margin.

7. To fix the margin as *correctly* as possible we require sufficient data. But we do not have them as this is a new venture. The Govern-

ment Takkavi loans may give some idea and that too of bad debts alone. In this respect we are in a better position as we have the co-operation of the borrowers. The Reserve Bank with a view to err on the safer side might have fixed the margin at a higher figure. Special efforts to get data should have been taken.

8. We do not have data or experience. The next best open to us is the experience of other countries.

The German *Landschaften* are the oldest. They are the cheapest as co-operation is actually put into practice in the working. They have carefully shifted the risks on the borrowers. They lend at debenture rate. The compulsory sinking fund payment towards principal is only  $\frac{1}{2}$  per cent. They collect administration expenses extra. Canil reports that "payments on this account (administration expenses) vary greatly both in amount and in method of calculation and levy." (p. 8). They vary from  $\frac{1}{12}$  per cent to  $\frac{1}{4}$ th per cent only.

In the State, Provincial and District Banks

"In order to cover the expenses of administration the interest charged to the borrower is higher than the interest payable upon the bonds by the bank. This margin is fixed according to circumstances but usually varies from  $\frac{1}{4}$  to  $\frac{1}{2}$  per cent."

In the United States 'the banks shall not charge a rate of interest exceeding by one per cent what they had paid for their last bonds'. (*Vide Agricultural Credit in U.S.A.* by A. I. Quershi, p. 45).

The agriculturists of America are big farmers and agriculture is carried on as a business proposition. In Madras the agriculturists are small men and agriculture also does not pay. In spite of these drawbacks, the margin has been fixed at several times the margin in America.

From what has been said above it is clear that the margin of 3 per cent is too high. If the debenture rate goes higher, say to 4 or  $4\frac{1}{2}$  per cent, the fate of the land credit movement is doomed. The Government, having guaranteed the debentures is nervous and over-cautious, and is too ready to accept any suggestion from the Reserve Bank without adequate examination. That bank does not seem to give that serious consideration, which the subject deserves, although it is supposed to be its statutory duty. This is a very unfortunate position.

It is earnestly requested that the Reserve Bank and the Government will consider the difficulties pointed out in the foregoing paragraphs and try to remove them. A  $\frac{3}{4}$  per cent or 1 per cent margin may be enough. If this is found insufficient in any year let a special levy be made which no one will grudge to pay. For heaven's sake let not considerations of prestige stand in the way of reducing the hardship caused by the *high* margin.

## WAR AND THE CO-OPERATIVE MOVEMENT IN BIHAR

By

PROF. B. B. MUKHERJEE, M.A.,  
*Patna College, Patna.*

The outbreak of the War found the Co-operative Movement in Bihar in the lowest ebb of depression. The total number of societies of all kinds had increased in 1939 from 7,246 to 7,762, but this increase included 469 Cane-growers' Societies. The classification of societies revealed that 87·8 per cent were either average or bad. The working capital of the 53 Central Banks in 1939 amounted to Rs. 160 lakhs of which Rs. 130 lakhs represented borrowed capital. Against the total demand for withdrawal of deposits amounting to Rs. 55 lakhs, the banks maintained fluid resources to the value of only 8·3 per cent. The realisations were inordinately low, the combined percentage of collection of principal and interest being 5 in 1939 as against 7·6 in 1937. In the case of 16 Banks the collection was below 5 per cent while 5 Banks collected even less than one percent. Fresh financing was very much restricted and only Rs. 1·84 lakhs were advanced to affiliated Societies. "Thus many of these Banks have long ceased to function as banking institutions and the delay in their rehabilitation or liquidation is resulting in cumulative deterioration and undue waste of their assets." The Provincial Co-operative Bank had to face a heavy withdrawal of deposits in 1939 and 1940 and the decrease in the total deposits in this Bank during the past 5 years represents over 29 per cent of its total working capital.

It was expected that the rise in prices due to the War would ease the strain on the Movement and speed up its recovery; but these hopes have not been realised so far. In January 1940 the Government of Bihar withdrew temporarily the control over the price of rice with a view to allow it to rise and thus give the rice growers a chance to improve their economic position. The control was resumed in April 1940 in order to prevent middlemen from pushing up the price unduly through the accumulation of large stocks. The price of rice, however, has further gone up due to the partial failure of crops in South Bihar and in the neighbouring Provinces. But with increase in the imports from Burma after May 1941 the prices are likely to fall.

The prices of many foodstuffs had a marked rise in the boom period in December 1939, but since then there has been a steady fall. With the



exception of rice the prices of all ordinary articles of food are below the level of December 1939 and some are below the pre-war level. The seasonal rise in the price of wheat in December 1940 has also been checked and prices have declined with the arrival of new wheat in the markets.

The effective measures taken by the Government to control prices checked profiteering, while it left the prices of primary products undisturbed. The slight rise in prices has been more than neutralised by the rise in the price of necessities, both produced in India and imported from outside. The increase in railway freights, higher prices of petrol and kerosene, rise in the price of cloth and restriction in the supply of imported goods, combined with failures of crops in various parts of the Province, have added to the difficulties of the cultivators.

In North Bihar, the surplus production of sugarcane has caused an agricultural crisis of the first magnitude. During the crushing season of 1939-40, sugarcane fetched good prices and cultivators felt naturally encouraged to extend their acreage under sugarcane. In 1940 the factories found themselves burdened with a heavy stock of sugar manufactured with high priced sugarcane. Apprehending that a still larger carry-over will be inevitable next year if all the sugarcane produced this year is crushed by the factories, the Government has reduced the minimum price of sugarcane to 4 annas 6 pies per maund and has limited the amount of sugar to be produced by the mills in Behar and U.P. to 7.2 lakhs tons. This means that over 30 lakhs tons of sugarcane, valued at about Rs. 2½ crores, will remain undisposed of or will have to be crushed by bullock-driven mills and converted into *gur*. The supply of these mills is limited and the *gur* produced is not likely to fetch good prices, as hardly any refineries are working and even if there be any, they will not produce sugar out of *gur* and so add to the stock of sugar when cane crushing factories are not in a position to produce sugar by crushing cane. The possibility of finding a market for this surplus sugar in the United Kingdom or in other countries is not only ruled out by an International Agreement but also by the difficulties of providing the requisite shipping facilities due to the War. The Government's promise of some compensation to the sugarcane growers will no doubt give some relief; but there is no doubt that the agriculturists will be hard hit by the low price of sugarcane and their inability to dispose of a large portion of their crop. The Canegrowers Co-operative Societies are very active in safeguarding the interests of their members and they are likely to prove very helpful in securing a reduction in the sugarcane acreage.

The temporary rise in prices in the first phase of the War led the last All India Conference of Registrars of Co-operative Societies, in spite

of the note of pessimism struck by the Hon'ble Mr. V. Ramadas Pantulu, to resolve that steps should be taken to prevent extravagance, to promote thrift, to improve the productive capacity of the lands of members and to restrict any undue expansion in credit directly arising from the rise in prices. These suggestions were no doubt useful, provided the rise in prices had been maintained.

In Bihar the problem of all problems at present is the reorganisation of the Co-operative Movement by the elimination of the dead tissues and by the infusion of fresh life and vigour. It is apprehended that the War will impede very largely the revitalisation of the Co-operative Organisations of Bihar.

# THE COURSE OF CO-OPERATIVE FINANCE IN MADRAS

By

K. C. RAMAKRISHNAN,  
*University of Madras.*

An attempt is made in this paper to examine how far the supply of funds in co-operative credit institutions and their utilisation in loans and other investments have been made on co-operative lines and to subserve co-operative ends, as envisaged by the great leaders of the Movement. An outstanding defect of the Co-operative Credit Societies Act of 1904 was the lack of any provision for any central financing agency over and above the primary societies, rural and urban. The framers of the Act of 1904 laid so much emphasis on simplicity and elasticity that they did not desire to lay down any particular method of financing societies as the best or the most important. Perhaps they thought—judging from the provisions made for interlending between urban and rural societies—that “urban societies would gradually take the place of supervising and financing organisations with regard to rural societies situated in surrounding areas.” This was the idea underlying the experiments made by Mr. Dupernex in the United Provinces. He started urban banks in 1901 with offshoot rural societies around them dependent upon their financing—on the model of Mentone in Italy where, H. W. Wolff says, “as a matter of fact ‘urban’ and ‘rural’ banks were at that time leading a life of cat and dog and would not look at one another.” There were few primary urban societies which were fit to undertake this task in India. Separate urban banks had to be organised, in spite of the lack of provision in the Act, to finance the primary societies, especially the rural societies, which after the first flush of enthusiasm could not attract enough deposits for meeting their own demand.

The founders and administrators of the Movement in India had such profound faith in the capacity of the Raiffeisen societies to promote thrift and attract the savings of members and of non-members in the locality that the need for a central financing agency—except perhaps for an emergency relief—was not recognised. Nicholson stated that the main advantage of a co-operative bank over a moneylender was “not that it will, in itself, eliminate indebtedness, but that it encourages thrift and productivity by the gathering in of large and small savings otherwise idle.” He believed that “One great cause of indi-

vidual unthrift is the absence of facilities for thrift, of places for the due and productive custody of savings; if these are provided at each man's door saving will take the place of expenditure, productive deposit that of idle hoarding." It was his view that "there is a great deal of hoarded capital in the country; but chiefly being rural it will be attracted but slowly, although village banks will attract more readily than large outside banks." He fondly hoped that many people who lent money in the villages would be glad to deposit it in local societies, while they would not trust it to a distant bank. Though he describes the work of Co-operative Central Banks in European countries, it did not occur to him that there was need for similar institutions in Madras. In fact he said that "the ryots of this Presidency are unlikely to provide a clientele for Central Banks," meaning thereby all distant banks, not necessarily co-operative. He, however, suggested that where deposits were received in excess by local societies, they should be compelled to invest the paid-up share capital or at least a portion thereof in Government securities in order to provide a material guarantee for depositors. He even contemplated that the local societies might float debentures for granting long term loans to members; but he recommended that these debentures should be *accepted* by a Central Bank, such as the Bank of Madras (now Imperial Bank) which would issue its own debentures, and provide cheaper capital than what local societies could command.

H. W. Wolff, who has been called the Solon of Agricultural Co-operation, was an equally firm believer in local deposits as the main source of finance for Raiffeisen societies. He said: "In the unlimited liability societies, you must have deposits, or you can do no business whatever." He was, on that account, against the idea of confining the society to 'persons of limited means' and keeping out the wealthier residents in the village. "You want them to nurse the bank into strength, to say nothing of the educative influence in respect of business . . . . The more you limit membership to smaller and poorer folk, the more and the longer you will have to assist the societies with State-aid." He suggested several methods of actively collecting deposits—just at the right time before the devil of improvidence decoys people with pies in their pockets—by means of volunteer collectors, home safes, etc., even in driplets, down to the smallest denomination. Champion of local independence as Wolff was, he recognised that societies could not do without outside help. He criticised M. Durand as going too far, when he spoke of "money borrowed from outside, whether it be from a Central Bank or from any other source as a state of being 'in hospital' . . . . in a condition under par, . . . . from which it must be the aim of the Society to escape." Wolff wanted

societies so to organise themselves, through their Central Bank, that they may be able to assist one another in case of need by "balancing the emptiness of one by supplies from the over-abundance of the other." But he stressed that borrowing from outside should not be habitual, it should be resorted to only as an emergency help—"a crutch so to put it, not a natural pair of legs."

Citations from Nicholson's report and Wolff's book have been made at length, because of the enormous influence both of them exerted not only on the framers of the Act but on a generation of co-operative leaders and administrators who followed. The Act itself declared the main object of the co-operative society to be the encouragement of thrift and self-help among members, the raising of funds by deposits from non-members and distribution of the funds in loans to members.

Studying the history of co-operation in Madras in particular, we find that in the first four or five years the Registrars reported with gratification that rural societies attracted well-to-do members, who put in deposits, as much as the poor who were borrowers. The Government in order to induce local deposits offered to contribute (up to a maximum of Rs. 2,000 for each society) as much as the society was able to collect by way of share capital and deposits. When there were only 40 rural societies in 1906-07, it was said that loans were seldom refused for want of funds. The need for central financing agencies was, however, felt quite early and the Madras Central Urban Bank and a few District Urban Banks were started between 1905 and 1910. In the latter year, village societies attracted Rs. 6·2 lakhs of deposits and the Registrar found moneylenders disappearing or discontinuing their operations where co-operative societies had taken root. He then envisaged the prospect of tapping the capital of sowcars, whose loans members of societies could be helped to clear. It is only the older societies, however, that continued to attract deposits. With the development of Central Banks, rural societies lost the incentive to tap local deposits. When the number of societies had grown to 500 they could collect only Rs. 3 lakhs in spite of the policy of some Central Banks to refuse to help societies unless they had themselves collected some deposits. In 1913-14, there were only 63 societies which had raised more than Rs. 1,000 each locally. Societies in Madras, the Registrar explained, could not attract as much deposits or share capital as those in the Punjab and United Provinces, as the margin of profit was very small in Madras on account of the low lending rate—9½ per cent compared with 12 to 15 per cent of Northern India; and societies in Madras did not declare any dividend, while in the Punjab 15 per cent was common.

The MacLagan Committee reporting in 1915 affirmed that the express object of the society should be the development of thrift among members with the hope that it would spread in the neighbourhood. But they regretted that the amount of working capital so far received by way of deposits was disappointing and they looked to an increase in deposits as an essential to real progress. They drew pointed attention to the very marked difference in this respect between Raiffeisen societies in Germany, which had 87 per cent of working capital in the shape of deposits and societies in India with only 18 per cent of working capital as deposits. They concluded that "unless there is a substantial increase in local deposits it will have to be confessed that co-operation has failed in one of its main objects." They recommended higher rates on deposits of members—'the maximum being the rates of the society on its loans.' Even non-depositing members, they argued, would profit by it at the end, as the inflow of local deposits would improve the general credit of the society.

These exhortations have been of little avail, as the Townsend Committee found in 1928 that "with a few notable exceptions, but little success had been obtained." In their turn they urged that all possible steps should be taken to encourage local deposits, setting forth the advantages. A similar recommendation was made by the Madras Banking Enquiry Committee for 'an intensive propaganda by the Co-operative Department to encourage thrift.' The Indian Central Banking Enquiry Committee, while recording that primary societies should promote thrift and serve as savings banks for members, said that under existing conditions primary societies should not make any special effort to attract deposits from non-members by offering high rates of interest as this would frustrate the aim of the Movement "to provide rural co-operators with cheap and controlled credit," and there was risk in taking and utilising such deposits without the aid of an efficient and well-organised central banking system.

This emphasis on safety and the decline of enthusiasm and hope on the part of several co-operators as regards village credit societies tapping local deposits is revealed in the answers to the questionnaire issued by the recent (Vijayaraghavacharya) Committee on Co-operation. Many are only inclined to permit the societies to take fixed deposits at half per cent less than the lending rate of the Central Bank. Some lay down that no deposits should be taken beyond what could be utilised as loans to members, and again, that the period of loans and of deposits should be co-terminous. The old idea that societies should attract as much local deposits as possible and the Central Bank was to be more a balancing than a financing centre to which surpluses from

societies could be sent as deposits, as well as loans drawn from in case of need, has been wellnigh forgotten. Some would totally prevent societies taking in any kind of deposits due to the lack of human material to manage. Some are for vesting the local officers of the Co-operative Department with the power to permit societies, or withdraw from them, the privilege of accepting deposits of any kind. All of them are against village societies accepting current deposits. Some are even against savings deposits, though this is the best form of capital that could be tapped from poorer folk, on the ground that they might suffer for want of fluid resources, which Central Banks might or might not grant them.

It is refreshing to find that in spite of these pessimistic answers, especially from co-operators who had experience of the working of Central Banks, that the Committee on Co-operation have reiterated the traditional views on the need to tap local deposits and to promote thrift in villages. They deplore that at present local deposits constitute only 5 per cent of the total working capital of societies. They look forward to the admission of new members who would be willing to deposit, if they were not frightened by the prospect of unlimited liability being enforced. It is one of the reasons for the change over from unlimited liability to limited liability, which the Committee recommend as a general rule to be adopted. Such depositors are expected to provide "that counter-poise which is necessary to keep a stricter watch on the business of societies." We are not sure whether a change in the liability, while it will remove a scare for non-borrowing members, will inspire by itself more, or less, confidence in the minds of depositors—members and non-members. Indeed, the claim in the past was that it was the unlimited liability of the members of village societies that attracted local deposits and, even more, deposits in the Central Banks to which the societies were affiliated. We believe that if liability is to be made limited, and we feel it is necessary, that some system of continuing mortgage of a piece of land of the borrowing member must be introduced. Otherwise change to limited liability might dry up not only local but Central Banks' deposits too. The Committee are anxious that savings deposits—but not current accounts—should be popularised at least in A and B class societies which are in the neighbourhood of a Central Bank or an urban bank or a post office savings bank. Societies should endeavour to reach a stage of self-sufficiency and resort to borrowing only in exceptional circumstances. Such efforts should be made in particular, they say, in the boom period that is bound to recur with the continuance of the war. The lessons of the last post-war period, when assets were frittered away, should not be forgotten.

We find from the latest administration report on co-operative societies in Madras that there has been no improvement in the amount of deposits held by members or non-members in agricultural credit societies in the last three years. The total was a little less than Rs. 40 lakhs, while the working capital was nearly Rs. 600 lakhs. The Registrar deplures this dearth of deposits and observes: "It is a pity that the deposits of members do not grow more rapidly; our societies might be much stronger and more alert if, like the Raiffeisen societies in the Germany of a former day, the deposits of their members exceeded 70 per cent of their working capital." If, as he recommends, the rate of interest on loans is raised a little beyond  $6\frac{1}{4}$  per cent—the unduly low rate fixed by the Madras Agriculturists' Relief Act—societies might offer a slightly better rate than at present for deposits and attract the funds of those who are not professional usurers or land grabbers in the village.

It is not correct to think that the villages have been drained of all resources and that there is no money available for investment therein. Economic enquiries from the days of Nicholson onwards have shown that in this Province, at any rate, most of the moneylenders are themselves agriculturists. Some of them have an eye on the land of the borrower ultimately, or wish to buy land elsewhere after accumulating the necessary capital by lending money meanwhile. Private money-lending has always had its troubles as well as attractions. The troubles have increased after the economic depression. The attractions are reduced by a series of restrictive laws on money-lending. The practised usurer may laugh at laws and carry on his business less openly. But there are honest investors of money who would prefer a safer and less troublesome, though less remunerative, place of investment like the co-operative society, if it were reorganised on lines suggested above. Investment in land, merely as a form of property without any desire to cultivate it, is also losing its attractions, economic and social, as a result of the agitation that is carried on in favour of agricultural labourers and cultivating tenants. The fear that any day tenancy legislation, with retrospective effect, may be passed has begun to operate. In such circumstances a well run co-operative society may be the best outlet for the savings. External pressure may accomplish what was fondly expected to be achieved by willing, voluntary efforts.

## II

The Co-operative Central Banks of Madras and a few other Provinces have received such encomiums that it might be considered captious criticism to point to anything co-operatively unsound in their



working. The Vijayaraghavacharya Committee have summed up the excellences of the Central Banks in Madras: they have financed and balanced funds admirably; they have mobilised (urban) savings and diverted them to the rural societies at a low rate; most of these banks keep an ample margin between assets and outside liabilities; they have taken genuine interest in the development of the Movement and have drawn into it a number of honorary workers; they have the Provincial Bank as their balancing and financing centre and as a link with the money market. This Apex Bank also secures uniformity in banking policy and practices, and subsidises through Central Banks the infant non-credit societies. Almost the only vexed and the most discussed problem is that of overdues from rural societies and their members, for which the Central Banks are not alone to blame. Attention is also drawn to the fact that while in the decade ending with 1936 there were 54 bank failures in the Province not one Co-operative Central Bank failed.

Much of this praise by the Committee is no doubt well deserved; but this is not the whole picture and it is not applicable to all the banks and at all stages of their development. In their origin and outlook, some of them were frankly capitalistic; they were largely, if not entirely, composed of individuals who found in these banks—backed as they were morally if not financially by the Government—a badly needed institution for the investment of their savings, after the collapse of a big British banking concern in the city of Madras and a number of failures of indigenous Nidhis in the Province. The unlimited liability of the ultimate borrower with landed interest worked as a charm and the public confidence in particular office-bearers was not a little responsible for the attraction of funds. There was in most cases a blend of philanthropy and self-interest smacking of the Utilitarian philosophy that was in vogue in those days. That the outlook of the shareholders and depositors was not entirely co-operative even in the first few years of enthusiasm is revealed in the pages of the reports of Registrars. The second Registrar said in his brusque way: "Central Banks are very useful institutions, but they are not co-operative." "Finance is their *forte*, co-operation is their *foible*." The third Registrar pleaded long and hard for a liberal contribution from the Central Banks, including the M.C.U.B., towards supervision of societies which they financed on the Registrar's recommendation. They were unwilling to grant it, even though they were declaring 12 per cent dividend on shares and still had a large surplus left.

It is only after the economic depression and with the decreasing importance of individual members and depositors that there is some

change in the outlook on what the Central Bank should or might do to inspect and improve the societies affiliated. But even then it is more on terms of control and correction rather than of development that the thought of Directors of Central Banks runs. With the increase in overdues, whatever be the cause, and the irrecoverability of some of the dues, faith in unlimited liability is fading and insistence on mortgage security is becoming more common. The non-member depositors claim seats on the Board of Directors, which is symptomatic of their want of confidence in society representatives. The Committee have on the other hand recommended the elimination of individual shareholders from the Central Banks and the co-optation of individuals with banking knowledge. We are not sure if local influence and probity of Directors are not, even now, more appreciated by depositors than knowledge of business. If deposits still pour in, it is partly because of the frightful failures of joint-stock concerns and the feeling that, if the worst happens, the Government would go to the rescue of creditors of co-operative banks, as the Governments of Burma and Bihar have done in recent years. After all, co-operative banks, Central and Provincial, attract only about Rs. 4 crores as deposits, while one leading joint-stock bank of equal standing attracts more than Rs. 5 crores.

We are in this paper more concerned with the repercussions of the flow of funds into Central Banks on their methods of financing affiliated societies. The problem which has received the longest and greatest attention—that of the utilisation of funds derived from short term deposits in loans to societies for much longer term—has been fully dealt with by the Committee on Co-operation. It is broadly true that 60 per cent of the deposits are repayable within 12 months, 25 per cent within 24 months and the rest within 36 months. But renewals of deposits are quite a common feature. The Reserve Bank's dictum that "advances for any purposes whatever, which cannot reasonably be expected to be repaid in one year, should be ruled out as beyond the sphere of co-operative societies, at least at the present stage of their development" has been discussed and rejected by the Committee as undesirable and unnecessary to follow. The demand for intermediate term loans in agriculture for periods of 2 to 5 years has been recognised to be as legitimate as that for cultivation expenses and therefore to be granted without any hesitation. They have also clearly laid down that while it is desirable to attract deposits for two or three years, there is no need to make the period of deposits rigidly co-terminous with the period of loans, as "the flow of deposits into Central Banks . . . is like a perennial stream." The recovery of overdues from societies has been the main subject of several Central Banks'

Conferences in recent years. Indeed, overdues began earlier than the economic depression though the latter accentuated them and often served as an excuse for defaulting societies and their members. After examining the course of deposits and loans for a period of 14 years from 1925, the Committee came to the conclusion that most of the difficulties of Central Banks were due to the reckless advances granted in the boom period after 1925 which synchronised with the sudden flood of deposits and an artificial expansion of societies.

The havoc wrought by the increased flow of deposits from local boards and municipalities and the resulting surpluses in Central Banks and the Provincial Bank has been vividly described in the Registrar's report for 1926-27, which has been extracted by the Committee. The banks agitated for an expansion in the number of societies and the increase of the borrowing power of societies. Even the M.C.U.B., offered a special rebate on the interest on loans to Central Banks if they took more than Rs. 3 lakhs before a certain date to be utilised in expansion. The Central Banks took advantage of the concession. There was a rapid increase in loans, which was out of proportion to the increase either in the number of societies or of membership. The Committee add a significant foot-note that in view of the increasing flow of deposits till 1932-33, the banks might have continued thrusting money to societies but for the economic depression from 1930. "They could not profitably seek investment in societies and began to agitate, to get rid of surpluses, for permission to grant loans to individuals against merchandise, industrial products or gold. But the Government refused such permission." This is the province of urban banks and of sale societies, whose representatives have rightly protested in answer to the questions on the subject by the Committee on Co-operation.

The period of embarrassing surpluses in Central Banks has come to an end on account of the shrinkage of deposits from local bodies, etc., on the one hand, and of the policy of produce loans granted to Credit and Loan and Sale Societies on the other. Together these absorb about a crore of rupees annually, which is, however, less than one per cent of the value of all agricultural produce in the Province. Very much yet remains to be done and the marketing side of the societies has to be developed, if their working is to create any impression on the produce markets in the country and emancipate the procedure from the grip of the moneylender-cum-merchants. The progress in transactions so far registered has not been altogether in the interests of producers. Merchants and middlemen have in many cases benefited by the working of the loan and sale societies to the detriment of produ-

cers, especially the small producers. The craze for swelling the volume of transactions and the anxiety to find another outlet for the plethora of deposits have obscured co-operative ideals.

In fact many work-a-day co-operators do not seem to be aware of the damage done to the cause of co-operation by, for instance, the demand for permission to Central Banks not only to collect bills for their individual shareholders and depositors, who are engaged in trade, but to discount bills for them as commercial banks do. Apart from the financial risks involved in the discounting of bills—on which ground the Committee on Co-operation have rightly turned down the proposal—there can be no justification from the co-operative point of view in affording facilities for a class of people who have been exploiting producers and consumers all along, and whose gradual elimination has been proclaimed to be the goal of co-operative endeavour.

The demand for the co-optation of men in the competitive business-world on boards of management of co-operative institutions, the desire for investment of surplus co-operative funds in slack seasons in commercial banks, the investment of reserves in gilt-edged securities far in excess of the minimum prescribed for the maintenance of fluid resources—all these tendencies reveal a lack of co-operative idealism, an unawareness of the wide and varied field in production and distribution that could more legitimately utilise co-operative funds.

## REVIEWS

PROCEEDINGS OF THE FIRST CONFERENCE OF THE INDIAN SOCIETY OF AGRICULTURAL ECONOMICS : held at Delhi in February 1940 (The Co-operative Book Depot, Fort, Bombay—Rs. 5).

We heartily welcome this newly founded Society of Agricultural Economics in India, which has as its object the study, investigation and improvement of the economic and social conditions of agriculture and rural life. Founded only in 1939, it has yet no periodical of its own; but it has published the proceedings of its first Conference held at Delhi in February 1940. Sir Jagadish Prasad opened the Conference with a brief address and raised a few fundamental questions like land tenure, debt-relief and dairying, which he rightly pointed out "should not be studied in isolation and without adequate regard for the profound influence of religion, custom and history."

Sir Malcolm Darling took for his theme "The Peasant and Politics" and drew a rather dark picture of the reactions of the peasant to the wave of democratic feeling and the radical measures on debt relief, tenures, etc. by the autonomous Governments in the Provinces for two years prior to the war. They have, in his view, weakened the sense of obligation of the peasant to the land lord and the moneylender and led to contraction of credit to agriculturists, even as such measures have done in the Balkan States, with one or other of which he compares Indian Provinces. He pleads for a change from an arm-chair study of western economic theory based on urban industrial conditions to an intensive investigation of the pressing economic problems in our countryside, so as to be able "to advise political parties on their agrarian programmes and to exercise a moderating influence on their electioneering promises." He pleads for the revival of the panchayats and the strengthening of the Co-operative Movement which alone could arrest the 'manifest spiritual decline' and promote agricultural improvement.

Mr. K. G. Ambegaokar of the Agricultural Credit Department of the Reserve Bank of India has given the results of a survey made by his Department on the position of fragmentation of holdings and the attempts made by each Government to consolidate holdings or to explain away the causes of inaction. He is not convinced of the soundness of these explanations in the absence of exact knowledge of the extent and conditions of fragmentation. He has chalked out very ably the lines of investigation which research workers might follow on this ticklish subject. Mr. Bashir Ahmed Khan has a paper on the Consolidation of Holdings in the Punjab giving a succinct summary of the difficulties

encountered and the progress achieved. This paper has been reproduced in the *Indian Co-operative Review*.

There are two papers on debt legislation, one on the United Provinces by Mr. S. P. Saxena, which appeared in our Review, and the other on Central Provinces and Berar by Mr. N. M. Joglekar.

Messrs. D. R. Gadgil and V. R. Gadgil of the Gokhale Institute of Economics have given an account of the procedure and method adopted in a survey of Wai Taluka in Bombay, which differ from those followed in western countries. Investigators in India cannot get farm accounts or memoranda kept by farmers and therefore have to collect more details by oral examination and make more frequent visits and adopt several cross checks. Mr. S. Kartar Singh, the Marketing Officer, and Dr. Arjan Singh, Assistant Marketing Officer of the Punjab contribute papers on farm accountancy, its methods and value in agricultural research.

Mr. S. K. Bedekar, the present secretary of the Association, analyses in a thought-provoking paper the spread of prices between consumers' and producers', in respect of four articles on which the Marketing Section of the I.C.A.R. has issued reports. He contends that producers receive a fairly high proportion of the prices paid by the consumers, that they do not suffer much from the existing system of marketing and that the defects might be rectified by marketing legislation and the establishment of Standard Arhat shops by the Marketing Committees. He thinks that co-operative sale societies will have to meet the same costs, perhaps more on account of joint control, and therefore are unnecessary—though there might be scope for co-operative processing, packing and transport. But things are not so simple as they look. The margins of merchants and middlemen are only seemingly small; for much of the profits is derived by malpractices in weighing, measuring, etc., which no marketing legislation or committee can put down, especially when producers are ignorant or illiterate. This has been well brought out in the discussion that followed.

On the whole, we find the papers submitted, of some of which we get only summaries, and the discussions that followed are of a high level and justify the formation of a separate society of agricultural economists in a country so preponderatingly agricultural.

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LALUBHAI SAMALDAS by S. Natarajan. (Yeshanand Publications Ltd., Hornby Road, Bombay—As. 8).

This brochure, printed on hand-made paper, is a life-sketch of Sir Lalubhai Samaldas. "the father of the Co-operative Movement" in

Bombay. It is written in bright style and deals succinctly with the many-sided activities of one of the most energetic and enthusiastic leaders of Western India. Every detail given by Mr. Natarajan of Sir Lalubhai as a scholar, social reformer, administrator, industrialist and legislator is interesting and reveals the greatness of the man. Students of co-operation, however, get only a little more than what they already knew of the co-operative activities of this doyen of co-operators. Perhaps more may not be expected in such a brief sketch, which deals as much with the private life of this thorough gentleman as of his public activities. It is up to loyal students of co-operation in Bombay to bring out a work dealing fully with the trials and tribulations—as, for instance, what Sir Lalubhai experienced in founding the Bombay Central Urban Bank—as well as the successes of the leaders of the Movement.

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### ACKNOWLEDGMENTS

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| <i>Journal of the Ministry of Agriculture, Indian Farming.</i> | <i>The Nagpur Agricultural College,</i>     |
| <i>London.</i>   | <i>Magazine.</i>                            |
| <i>Scientific Agriculture, Ottawa.</i>                         | <i>The United Provinces Co-operative</i>    |
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| <i>Washington, D.C.</i>  | <i>The Bengal Co-operative Journal.</i>     |
| <i>The Co-operative Review, Manchester.</i>                    | <i>The Madras Journal of Co-operation.</i>  |
| <i>The Countrywoman, London.</i>                               | <i>The B. and O. Co-operative Journal.</i>  |
| <i>The Co-operative News, Manchester.</i>                      | <i>Journal of the Annamalai University.</i> |
| <i>The Westralian Farmers' Gazette.</i>                        | <i>Journal of the Madras Geographical</i>   |
| <i>Co-operative Information (I.L.O.),</i>                      | <i>Association.</i>                         |
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| <i>(Canada).</i>   |   |

## CO-OPERATIVE SOCIETIES AT WORK IN INDIA

### MADRAS

Extracts from the Report of the Registrar of Co-operative Societies, Mr. S. A. Venkataraman, I.C.S., for the year ended 30th June, 1940.

**Review of Policy.**—The Committee on Co-operation concluded its deliberations. Some time must pass before final decisions can be taken and implemented. But a general impression may be ventured, that on the whole the present structure and trend of co-operation in Madras meets with the approval of the pundits. Reform, not revolution, is the task of the future.

**Continuity of policy.**—Co-operative finance is still, and must be, for some time, the chief pre-occupation of Madras co-operators. The long and arduous task of eliminating the weaknesses in our credit structure and increasing the usefulness of credit societies in both villages and towns is far from ended: but something is being achieved each year. A few revolutionary suggestions were made in the discussions of the Committee on Co-operation, and were given publicity in the Press. From the response of co-operators, it would seem that many prefer slow progress on the present lines to a more drastic treatment. Some inveterate cancers in the co-operative body resist mild remedies; one or two central banks and many smaller institutions must collapse unless they adopt rather late in the day measures they have resisted or ignored.

The most embarrassed banks are those which have their assets frozen in irrecoverable long-term loans; on close examination, it is usually found that these loans were individually too large in comparison with the repaying capacity of the borrowers, the purposes of borrowing were not productive, the proper application of the loans was not secured and the borrowers, because they were interested in escaping from a particular debt rather than in financing regular production, have made no attempt to clear their accounts and secure fresh finance. Several banks, though far from insolvent, cannot bring in their money and, therefore, cannot accommodate their members with fresh loans. In various other districts fresh loans are a mere trickle, and banks which should be distributing five, ten, or fifteen lakhs annually for cultivation expenses alone are lending a meagre one or two lakhs to ordinary credit societies, and to sale societies enough to market one or two per cent of the total crop.

**Finance.**—In spite of their errors and difficulties, co-operative institutions have not lost the confidence of the public. The level of deposits remains high. It is a pity that the deposits of members do not grow more rapidly; our societies might be much stronger and more alert if, like the Raiffeisen societies in the Germany of a former day, the deposits of their members exceeded 70 per cent of their working capital. One unresolved question of policy is whether co-operative societies should be so slow to adapt their interest rates to changing conditions. Changing his lending and borrowing rates is the banker's ordinary means of adjusting the demand for loans to the supply of capital. Co-operative banks rarely change their rates and complain at one time of an excess of deposits and at another of a deficiency. Agricultural credit institutions have been trying to keep interest rates to borrowers



down to the level imposed on other lenders of money by the Agriculturists' Relief Act. I have been watching the effects of this policy and have warned co-operators against sacrificing the safety of their institutions to a worthy but often impracticable ideal. Relief to borrowers hard hit, through no fault of their own, has already been carried far enough to endanger the profits, if not the working, of several central banks and the endeavour to help failing societies by reducing the rate of interest on old loans—a policy accepted by all central banks—makes it all the more necessary to earn reasonable profits on loans to thriving societies. Reserves must be adequate but can only be built up out of profits; if the margin between borrowing and lending rates is too small for any profits to be earned, the margin must be increased. I find that co-operators and departmental officials agree that a margin of about 2 per cent between the borrowing and lending rates will ensure safety to credit societies without inflicting hardship on borrowers and I have issued a circular to ensure a reasonable policy in this respect. Money-lenders are said to be refusing to lend at  $6\frac{1}{4}$  per cent and it is for the consideration of Government whether the rate fixed under the Act should not be a little higher. Co-operative institutions and money-lenders alike have to cover their risks and costs of supervision.

**Management and supervision.**—Experience has shown that the costs of supervision cannot safely be cut. Credit must be controlled and repayment ensured. The central banks are finding that the control is expensive if it is effective. The failure of supervising unions is everywhere throwing too heavy a burden on the staff of the banks, and unless ways are devised to revive unions and secure active and honest work from their unpaid directors, the central banks will soon appreciate what Nicholson meant when he insisted on proximity as one condition for good rural finance. Even if all the paid Inspectors and Supervisors were thoroughly capable and diligent, they would be too few.

Though some critics, including a few who have access to the facts but do not care to study them, have accused the department of trying to officialize the movement, our policy remains the same as before—to help, to guide, where necessary to admonish, and only in the last resort to exercise the powers conferred by the Act for the protection of the public and the saving of societies. The staff of the department is too small to manage the affairs of societies as well as to perform its own functions. I have had to protest in a circular against the increasing demand for the deputation of departmental officers and to point out that the proper course is to secure more trained men and to encourage co-operative employees to secure better training. Better work and better pay are both required, and I am glad to say that Boards of Directors and co-operative employees seem prepared for a progressive policy.

**Scope of co-operative societies.**—The development of trained business capacity must precede the launching of a drive to widen the scope of primary societies. Want of suitable men has impeded the development of marketing and of consumers' co-operation; and it is too much to expect that primary societies which have not found honest and competent men to administer credit should find such men to administer joint purchase and sale or village reconstruction. It is apparently more difficult to make a success of co-operative trading than of co-operative banking, if we are to judge by our experience in towns; and the activities of agricultural improvement and rural welfare are not easy for amateurs.

**Consumers' Societies.**—Co-operators took advantage of the conditions brought about by the War to inaugurate stores in a number of towns. If profiteering in

foodstuffs had continued a little longer, the number and business of co-operative stores would probably have increased by leaps and bounds. But the inauguration of stores was itself a check on profiteering and the measures adopted by Government had a rapid effect.

**Sales Tax and Super Tax:**—Various types of co-operative institutions particularly stores societies, were affected by the operation of the Sales Tax. Co-operative societies were not exempted from the operation of this Act and some of them found their distributable profits considerably diminished. They had to pay in all about Rs. 20,000, a large portion of it being contributed by 34 stores societies.

Another tax which affected co-operative institutions was the super tax. According to the present interpretation of the Income-tax Act, co-operative societies are associations of individuals and liable to pay the higher rate of tax. The Hon'ble Mr. V. Ramadas Pantulu has been trying to secure an amendment of the Income-tax Act, and for the present the Central Government has been persuaded to treat co-operative banks no worse than joint stock banks. The reduction of the tax thus obtained was as much as Rs. 43,000 for the assessment year 1940-41, in the case of the Madras Provincial Co-operative Bank alone. All profits under Rs. 25,000 are to be exempted from super tax for the present.

**Milk Supply.**—The great increase in the number and business of milk supply societies is unfortunately not due to consumers' enlightenment; a strong departmental drive had to be made and it remains to be seen whether the real need for pure milk at a price satisfactory to producers as well as consumers will now become apparent to urban population which have for too long paid more attention to price than quality.

**Marketing.**—Several Central Banks, supported by the Provincial Bank and the department, have decided that the time is ripe for an advance in co-operative marketing. Many new sale societies and some branches of old societies began operations during the year. We are still far from an adequate marketing organization, but in every district the foundations are being laid. Too many societies are still Loan Societies rather than Sale Societies; but all are being encouraged to study the market for local produce and provide the facilities required by both buyers and sellers.

**Methods of business.**—Our institutions are run for the most part by amateurs and even the salaried professional staff have had too little experience of business outside the co-operative world. Our bankers have generally never been in a commercial bank; our stores managers were formerly school-masters or Government officials; our marketing officers have never bought and sold on their own account. It is only in exceptional institutions that the directors and managers study the operations with the diligence and intelligence of the good businessman.

The deputation of several Deputy Registrars to study the methods of Joint-stock banks and of others to visit the Imperial Dairy Institute may equip the department to offer good advice in some directions. The study of wholesale and retail trade is still backward.

The changes in supply, demand and prices are differently timed in almost every centre and good business will depend on accurate knowledge taking the place of guess work. Too often we hear of the desirability of holding up produce for a better market. Holding up produce is sometimes as likely to lead to loss as gain. If experience in other countries is any guide, I strongly feel the need for more orga-

nized research and for a small statistical staff to do it; and I find agreement in this respect not only in the department but also in the banks and the universities.

More attention was given to co-ordination of societies; for instance, a number of sale societies and stores stocked and sold the products of weavers' societies and placed orders for foodstuffs with co-operative producers' organizations, and producers' societies, sometimes on their own and sometimes through the Provincial Marketing Society, increasingly sought co-operative outlets. There was some difficulty about prices, consumers' societies complaining that producers' societies asked for too much and producers alleging that consumers' societies offered too little. Both sides have to learn that in trading a fair price is one which pleases both parties.

An innovation which may point the way to a more harmonious relation between the department and the movement was the joint investigation of the affairs of certain banks by the Joint Registrar and the President of the Madras Provincial Co-operative Bank, to whom my thanks are due for his willing and active co-operation in such cases as those of the Viziavada Central Bank, the Anantapur Central Bank and the South Arcot Central Bank. This kind of co-operation makes it much easier for the Registrar to choose among different possible methods of improvement. Unfortunately, it does not obviate recourse to statutory powers when abuses and incompetence will not give way to mere advice.

**Prospects.**—At present the movement is an aggregate of pieces rather than a whole of coherent parts. Consumers' and producers' co-operation have not yet achieved a dovetailed structure. Various unconcerted efforts are being made in different places; sometimes they fit together, but more often each is pushed along without reference to the others. Nor do co-operators in general show much wish or ability to bring the work of the Development Departments within their orbit.

I have a vision of an integrated whole of many parts so designed that all through the economic life of the province the principle of working together for mutual benefit may exercise its wholesome influence. Already a beginning has been made in the process of linking the work of the Departments of Agriculture and Industries with that of co-operative societies, more especially in the multiplication of improved seed and the improvement of handloom weaving. The help given by the Veterinary Department to cattle-breeding societies is likely to increase as the Provincial Livestock Council extends its work. In rural reconstruction, officers of the Co-operative Department are working as Special Development Officers in close touch with the ordinary district administration and are infusing every where the belief voiced by the Royal Commission on Agriculture in India that "only through the medium of co-operative associations can the teaching of the expert be brought to multitudes who would never be reached individually."

**The Madras Provincial Co-operative Bank, Limited, Madras.**—The borrowing of the bank rose from Rs. 202·16 lakhs to Rs. 228·56 lakhs and its working capital from Rs. 236·45 lakhs to Rs. 264·91 lakhs. There was an increase in the deposits under all heads. Of the total borrowings of Rs. 228·56 lakhs, a sum of Rs. 215·03 lakhs represented deposits in the bank. The owned capital of the bank (Rs. 36·35 lakhs) amounted to 16·9 per cent of the total deposits. The cash on hand with the bank and with its bankers was Rs. 6·19 lakhs, while its investments included Rs. 125·63 lakhs in Government Promissory Notes, Rs. 15·68 lakhs in the debentures of the Central Land Mortgage Bank and Rs. 115·85 lakhs in loans to Central Banks and societies. The cash resources of the bank were 2·9 per cent of the

deposits, while its investments in Government securities and in loans amounted to 58·4 per cent and 53·9 per cent of the deposits. The percentage of deposits held in Government securities far exceeded the proportion suggested by the Reserve Bank of India in its circular on the reorganization of the co-operative movement on banking lines, and the bank's investments in loans were also within the limits suggested by the Reserve Bank of India.

The Provincial Bank continued to enjoy the overdraft accommodation of Rs. 37 lakhs allowed by the Imperial Bank of India. The bank had also recourse to loans from the Reserve Bank of India at 3 per cent to the extent of Rs. 19 lakhs; and of this amount, a sum of Rs. 8 lakhs remained outstanding on the 30th June.

The bank granted loans to central banks to the extent of no less than Rs. 99·82 lakhs, that is, Rs. 34·94 lakhs more than last year. The increase was accounted for mainly by increased advances on produce, which alone reached the figure of Rs. 62·35 lakhs. The loans outstanding at the end of the year against the central banks amounted to Rs. 83·99 lakhs, of which Rs. 47·98 lakhs were 'produce' loans. The bank continued to finance the Vuyyur Co-operative, Agricultural, Industrial and Credit Society and the Madras Officials' Automobile Co-operative Society. The total advances to all primary societies and to individuals in the year amounted to Rs. 14·13 lakhs and Rs. 6·14 lakhs, and the advances outstanding against them were Rs. 17·77 lakhs and Rs. 3·99 lakhs.

As in the past, the bank gave subsidies to central banks for the development of sale societies, the total subsidy given in the year being Rs. 20,425. It made a special grant of Rs. 600 to the Salem District Urban Bank in connexion with its marketing activities. It also gave a subvention to four central banks amounting to Rs. 1,675 for rectification work.

The net profits of the bank for the year were Rs. 2·38 lakhs. The steep decline in the value of Government securities brought about by the unsettled market conditions created by the war did not affect its profits, as it held substantial reserves.

The Madras Provincial Co-operative Bank must now be counted among the major banks of the country. It worked on sound business lines and was in many respects a model for other provinces.

**Central Banks.—Borrowings.**—There was a gradual increase in the borrowings of the banks and in their working capital, as shown below:—

	1937-38	1938-39	1939-40
	Rs.	Rs.	Rs.
	(In Lakhs)	(In Lakhs)	(In Lakhs)
Borrowings	409·68	452·03	465·02
Working Capital	523·54	566·24	580·30

Of the borrowings of Rs. 465·02 lakhs at the end of the year, the deposits alone amounted to Rs. 360·57 lakhs, representing 62·1 per cent of the working capital. The owned capital of the banks was Rs. 115·28 lakhs, representing 31·9 per cent of the deposits. The deposits from individuals totalled Rs. 159·67 lakhs. The fixed deposits of local bodies held by the banks amounted to Rs. 31·25 lakhs. There was a fall of Rs. 5·46 lakhs during the year under this head. The restrictions on the investment of district board and municipal funds imposed by G.O. No. 1407, L.A., dated 5th April 1939, have had some adverse effect on the total

volume of deposits in the banks, but they may have served a purpose if they make the banks look more to the general public and less to local bodies for their deposits. The Central Banks also held deposits from primary societies to the extent of Rs. 136·36 lakhs, of which Rs. 104·96 lakhs were reserve fund deposits. The large proportion of deposits held by the banks, particularly from the outside public, is clear evidence that they continue to enjoy the confidence of the investing public.

*Investment and fluid resources.*—The cash held by the banks and with their bankers on the last day of the year was Rs. 23·89 lakhs, and their investments were Rs. 127·37 lakhs. Of the latter sum, Rs. 49·82 lakhs represented investments in Government securities. The investments made by the banks in loans and advances including over-drafts amounted on the last day of the year to Rs. 424 lakhs, which exceeded the deposits. This was because the banks lent not only from the deposits raised by them but also from their other resources, namely, owned capital, borrowings from the Provincial Bank, etc. Taking the position of the central banks as a whole, it can be said that the distribution of their assets on the last day of the year was more or less in accordance with the standards suggested by the Reserve Bank of India. I wish, however, to mention that, apart from the fact that the position on the 30th June cannot be said to exhibit the normal state of affairs, the standards prescribed would not be satisfied by all the banks if their position is individually examined. The question, however, is whether it is possible or necessary for banks to adhere to these standards in view of the fact that they are required under the rules to maintain fluid resources according to certain standards laid down by Government.

*Loans issued, collected and overdue.*—The banks granted loans to societies to the extent of Rs. 202·70 lakhs, that is, 0·62 lakhs more than in the last year. Of this sum, Rs. 155·89 lakhs were for short terms. Loans amounting to Rs. 201·45 lakhs were recovered, leaving a sum of Rs. 347·77 lakhs outstanding at the end of the year. The banks also granted loans to individuals to the extent of Rs. 15·34 lakhs. The amount due at the end of the year under this head was Rs. 8·48 lakhs. The loans outstanding against societies under liquidation amounted to Rs. 30·63 lakhs.

In its circular on the reorganization of the co-operative movement on banking lines, the Reserve Bank of India has observed that co-operative banks should attempt, as a general rule, to avoid long-term business and that, where loans for periods longer than nine months are found necessary, care should be taken to ensure that the total amount of such loans does not exceed the paid-up capital and reserves. The paid-up share capital and reserves of the banks (reserve fund and bad debt reserve) on the last day of the year totalled Rs. 103·69 lakhs. The total long-term resources of the banks on the last day of the year were Rs. 216·62 lakhs. The investments made by the banks in long-term loans, including loans due from societies under liquidation, amounted to Rs. 220·02 lakhs; and this is just a little over the long-term reserves. If the Central Banks continue to follow the present policy of restricting their medium-term loans, I am hopeful that medium-term investments in loans will, before long, come down to the level of their long-term resources.

*Cost of management.*—The cost of management of the banks was Rs. 8·59 lakhs, and represented 1·5 per cent of the working capital, which must be considered reasonably cheap. In 13 banks, the percentage exceeded the Presidency average.

*Profits.*—All the Central Banks except the Cuddapah and the Guntur District Banks worked at a profit. The former worked at a loss of Rs. 3,512 while the latter neither earned a profit nor sustained a loss. The net profits of all the remaining banks amounted to Rs. 2.86 lakhs.

The profits of the banks were to some extent affected by the fall in the prices of Government securities held by them. Wherever possible, provision was made for the entire depreciation in the value of the securities. In the case of certain banks, however, the entire depreciation could not be provided for in the year itself, as such a course would have cut into their profits too much. In view of the fact that the fall in the prices of securities was unprecedented and was the result of the uncertain conditions created by the war, and considering that the banks had strong general reserves, I permitted them to write off the depreciation in two or three years. The provision made for depreciation during the year was Rs. 69,452 and the amount to the credit of the depreciation reserve at the end of the year was Rs. 1,34,272.

Rs. 87,176 were added to the Bad Debt Reserve of Central Banks during the year. A sum of Rs. 1,22,109 was spent from the reserve to write off irrecoverable loans. The balance to the credit of the Bad Debt Reserve at the end of the year was Rs. 19.59 lakhs.

**The Madras Co-operative Central Land Mortgage Bank, Limited.**—During the year the bank floated two series of debentures at  $3\frac{1}{2}$  per cent at par for Rs. 20 lakhs each. On account of the changes in the money market created by the war, the rate of interest on the debentures was raised by  $\frac{1}{2}$  per cent. The total amount of debentures issued during the year amounted to Rs. 39,36,800.

The method of redemption of debentures up to the XXIII series has been slightly changed. Instead of limiting the redemption to the extent of the principal collections in the loans covered by the series, all principal collections received are utilized in redeeming, first, debentures carrying higher rates of interest and only then those carrying lower rates of interest. During the year debentures for Rs. 5,08,400 were redeemed, of which debentures for Rs. 1,10,300 were redeemed in cash and the balance re-invested in the new debentures issued by the bank.

In the separate Debenture Redemption Funds maintained by the bank for each series of debentures commencing from the XXIV series, according to the scale prescribed by the Government, the bank should have invested Rs. 2,44,135. The actual investment, however, was Rs. 7,14,215.

Owing to certain abnormal conditions, Government discontinued their temporary accommodation to the bank for a short period of four months during the year. The accommodation has been renewed from January 1940. During the year the bank drew from Government Rs. 45.65 lakhs and repaid Rs. 41.12 lakhs. The loans due to Government at the end of the year were Rs. 26.05 lakhs.

Consequent on the increase in the rate of interest on debentures, from 3 per cent to  $3\frac{1}{2}$  per cent, the lending rate to the primary land mortgage banks was raised to 5 per cent and that to the ultimate borrower to 6 per cent.

The bank earned a net profit of Rs. 1,20,540-0-9, after setting apart Rs. 65,000 to the Debenture Redemption Fund investment depreciation reserve, and Rs. 20,000 to the Bad Debt Reserve. It has been contributing 25 per cent of the net profits hitherto to the Reserve Fund, and it is proposed to raise the proportion to 40 per cent from this year.

Government increased their guarantee of the debentures from Rs. 200 lakhs to Rs. 250 lakhs during the year. There is a great demand for loans from land mortgage banks as a result of the Agriculturists Relief Act, and Government will shortly have to be approached for increasing their guarantee limit.

The Central Land Mortgage Bank is building up a sound and steady business and is run on prudent and conservative lines. It is an acknowledged model for the rest of India.

**Primary land mortgage banks.**—The 119 banks in the Province cover 18,021 villages, and loans have been issued in 5,093 villages. The slight fall in the transactions was on account of the stoppage of temporary accommodation by the Government for about four months immediately after the outbreak of the War.

The borrowings of the banks were entirely from the Central Land Mortgage Bank, and no primary bank floated fresh debentures of its own. Loans to the extent of Rs. 42·78 lakhs were obtained from the Central Land Mortgage Bank during the year and Rs. 13·22 lakhs were repaid, leaving a total outstanding of Rs. 218·99 lakhs at the end of the year. A very satisfactory feature was that there were no arrears either under principal or interest in the loans due to the Central Land Mortgage Bank.

During the year, 2,838 loans amounting to Rs. 42·57 lakhs were issued to the members by primary banks, and Rs. 13·02 lakhs were collected, leaving a total outstanding of Rs. 222·09 lakhs at the end of the year. There was a fall in the percentage of arrears under principal from 14·86 to 13·04. Of the 119 banks, 79 worked at a profit totalling Rs. 1,23,176, while the rest, mainly the newer ones, worked at a loss of Rs. 19,356.

At present, loans are issued to members of land mortgage banks, repayable in 20 years, from the money raised by the 20-year debentures, and neither the by-laws nor the conditions of the business permit the grant of extension of time for repayment. The need for a margin between the maximum period of the debenture and the maximum period of the loan is obvious, as situations may arise (e.g. famine, seasonal scarcity, floods, cyclones, etc.) when wholesale destruction of crops ensues. The term of the debentures, however, need not, in my view, exceed 20 years, as 20 year debentures find more favour with the investing public than debentures for a longer period. The only alternative is to reduce the period of the loan by two or three years. This reduction of the period will not appreciably increase the equated annual instalment and will not cause any real hardship to borrowers. The question of reducing the period of the loans to 17 or 18 years is under the consideration of Government.

**Agricultural credit societies.**—The following statement shows the comparative financial position of the societies during the last three years:—

	1937-38	1938-39	1939-40
	Rs.	Rs.	Rs.
	(in lakhs)	(in lakhs)	(in lakhs)
Paid-up share capital ..	51·46	53·36	54·89
Reserve Fund ..	77·46	78·75	80·37
Working capital ..	437·13	473·00	475·34
Loans issued to members ..	110·97	147·47	147·29
Loans outstanding against members ..	322·03	353·53	354·15
Net profit ..	4·94	4·06	4·23
Net loss ..	19·26	20·29	20·53

During the year the transactions have remained more or less steady. The profits earned by good societies have gone up, but so too have the losses incurred by the bad ones. The total profits and losses of the societies were as follows:—

	Profits		Losses	
	Rs.		Rs.	
	(in lakhs)		(in lakhs)	
Interest earned	..	22.79	Interest paid and due	.. 16.58
Other items	..	4.01	Cost of management	.. 4.24
			Debts written off	.. 1.21
			Loss of previous years	.. 18.94
			Other items	.. 2.13
Total	..	26.80	Total	.. 43.10

It may be observed that the working of the societies during the year has resulted in a net profit of Rs. 2.64 lakhs, and that the losses incurred in previous years have been responsible for the net loss at the end of the year. As for the losses in previous years, for the most part they have been the result of the interest due on loans remaining unrealized. The margin of profit for the societies, that is, the difference between the interest earned and the interest paid, is also too low. It is barely sufficient to meet the cost of management, and after providing for possible bad debts very little is left for building up a strong reserve fund. I have, therefore, suggested it to societies that they may, if necessary, increase the rate of interest on loans so as to provide for a margin of 2 per cent between their borrowing and lending rates.

The following statement shows the percentage of balance to demand under principal and interest during the past three years:—There has been, I am glad to say, a definite improvement in collections both under principal and under interest.

Year	Principal			Interest		
	Demand	Balance	Percentage	Demand	Balance	Percentage
	Rs.	Rs.		Rs.	Rs.	
	(in lakhs)	(in lakhs)		(in lakhs)	(in lakhs)	
1937—38	.. 257.80	163.42	63.39	71.69	49.09	68.48
1938—39	.. 265.73	162.25	61.06	66.34	45.51	68.59
1939—40	.. 295.89	163.21	55.16	67.41	43.07	63.89

**Non-agricultural credit societies.**—The business of non-agricultural credit societies showed a further increase. The borrowings rose from Rs. 271 lakhs to



Rs. 24 lakhs, an increase of 5 per cent. The uncertain conditions created in the money market owing to the war have apparently not affected these banks. In fact, deposits from non-members for about two crores of rupees were either received or renewed during the year, while the corresponding amount for 1938-39 was only Rs. 186 lakhs. Of the 898 societies with outside borrowings, 324 could obtain deposits from members and the public sufficient for their requirements and had not to borrow from central banks, while only 225 societies had to depend entirely on central banks for their finance.

Non-agricultural credit societies have generally been prompt in meeting their obligations to the creditors, the percentage of balance to demand being only 1.6. Even this balance is negligible, considering the fact that it includes deposits which had matured for repayment, where the depositors had neither asked for their return nor renewed them before the end of the year.

Urban banks and societies with deposits and loans exceeding Rs. 20,000 are required to maintain fluid resources on the standards laid down in the rules prescribed under the Act. During 1939-40, 168 to 179 societies had to maintain fluid resources. Of these, 22 to 35 societies failed to maintain the required standard during the four quarters. The importance of maintaining the prescribed standard was impressed on them.

During the year, the societies disbursed loans aggregating Rs. 296.58 lakhs and recovered Rs. 285.27 lakhs. The arrears due from members at the end of the year totalled Rs. 66.65 lakhs, i.e., 19 per cent of the total demand. The percentage of arrears last year was 20.

Three hundred and five societies worked at a total loss of Rs. 1.22 lakhs, while the total profits earned by the remaining societies were Rs. 6.97 lakhs.

In the report for 1938-39 I had referred to the 'day deposit scheme' introduced in urban banks for the encouragement of thrift among the members. I am glad to report that the scheme has so far been introduced in 30 banks and that 4,223 members are now paying their daily subscriptions. The amount of deposits outstanding to the credit of the members at the end of the year (Rs. 70,765) may not be large, but the fact it has been built up by the small daily subscriptions of the members is heartening. The scheme has great potentialities and if worked enthusiastically and extended under proper safeguards, urban banks would have achieved one of their main objects, namely, the inculcation of the habit of thrift among the urban population.

**Employees' societies.**—Among the non-agricultural credit societies, 497 were exclusively for Government servants, employees of local bodies, firms, etc. They had a total membership of 1,137,404, a share capital of Rs. 46.88 lakhs, and a working capital of Rs. 166.52 lakhs. The borrowings of the societies included deposits from members and other individuals to the extent of Rs. 55.51 lakhs and Rs. 47.37 lakhs, respectively, and loans from central banks amounting to Rs. 7.85 lakhs. They issued loans to members aggregating Rs. 173.64 lakhs. The overdues at the end of the year amounted to Rs. 12.47 lakhs.

**Societies for the scheduled castes.**—The transactions of the societies specially formed for Adi-Dravidas, Adi-Andhras, fishermen, Kallars and other scheduled castes are shown in the following statement:—

Particulars	Societies under the co-operative department	Kallar societies under the special Police officers	Societies under the Fisheries department
Number of societies ..	2,287	261	54
Number of members ..	87,169	12,611	2,194
	Rs.	Rs.	Rs.
Paid up share capital ..	6,99,502	7,042	35,733
Deposits from members ..	41,620	..	2,346
Loans from central banks ..	9,43,548	..	11,487
Loans from Government ..	1,89,593	91,831	529
Reserve fund ..	4,44,652	1,35,960	28,094
Other funds ..	1,25,866	..	..
Working capital ..	24,44,781	2,34,833	78,189
Divisible profits ..	29,721	12,267	1,989
Loss ..	2,04,989	16,669	3,772

**The Madras Provincial Co-operative Marketing Society.**—On 30th June 1940, the society had as its members 96 societies and 60 individuals. It sold during the year goods worth Rs. 2,00,337. The volume of the sales effected in previous years was Rs. 8,979 in 1936-37, Rs. 93,224 in 1937-38 and Rs. 1,70,000 in 1938-39. Of the articles sold during the year, goods worth Rs. 1,77,938 were supplied by the Maipad, Ramachandrapuram, Rasipuram and Tirupattur sale societies, and the Kodur Fruit Growers' Society, and goods worth Rs. 22,399 were supplied by 40 other societies and 11 individuals. Goods worth Rs. 80,088 were sold through co-operative stores and other co-operative institutions. College hostels and clubs in the City were among its customers. The chief articles dealt with were rice (milled, hand-pound-ed and boiled), butter, ghee, fruits, eggs, dhall and honey. The society is issuing a bulletin each week containing the following particulars:—

- (i) price of commodities available with the society;
- (ii) prices of commodities available in other societies in the Province; and
- (iii) Madras wholesale market rates for certain important commodities.

One main difficulty experienced by the Provincial Marketing Society was that it did not receive an adequate supply of articles from affiliated societies. I have therefore, organized a few more producers' societies to act more or less as feeder societies to the Provincial Society.

The society cannot be said at present, to be a real "Provincial" society in the accepted sense of the term, and its future organization, as the apex of a series of regional sale societies, etc., will shortly be examined in consultation with the Provincial Marketing Board.

**The South Kanara Agriculturists' Co-operative Wholesale Society.**—The area of operations of the society covers the whole of South Kanara District. The chief produce of the district is arecanut and the society has been taking steps to induce as many ryots as possible to join it and sell their produce through it. It has 1,852 members, of whom 1,815 are individuals and the rest societies. It has opened 49 branches at important centres in the district, where the produce is stored and ad-

vances are given on the security of such produce. It has also opened a sales branch at Bombay which is an important marketing centre for areca and other products of the district. It has a sales depot at Mangalore, and has recently opened three more depots in the district. It has also been decided to open a grading section at Mangalore to pool and grade the arecanut before exporting it to Bombay. The society has been doing its business on a consignment basis. Sales in the year totalled Rs. 20.37 lakhs and the loans issued to members on the pledge of produce amounted to Rs. 17.26 lakhs. These are very remarkable figures for a District Sale Society.

**The Madras Handloom Weavers' Provincial Co-operative Society.**—This society, which was formed in 1935 under the Government of India Subvention Scheme for the purpose of organizing and developing the handloom industry in the Province, had as its members 165 weavers' societies, 40 co-operative central banks and societies and 97 individuals, firms, etc. It spent from the subsidy Rs. 98,855 during the financial year ended 31st March 1940. Of this, Rs. 32,735 were given to weavers' societies to meet their cost of management, purchase of looms, etc., Rs. 12,180 were utilized in maintaining sales emporiums, and Rs. 12,180 were spent on the calendering and finishing plant installed by the society. Under the system by which mills supply yarn to primary societies on the guarantee<sup>c</sup> of the Provincial Society, 98 societies were guaranteed to the extent of Rs. 88,013 and 68 societies actually took advantage of this facility. Cash credit loans for Rs. 32,193 were given to societies for the purchase of the raw material required by their members and for payment of wages. Advances on the security of the finished products sent to sales emporiums were given to 26 societies, to the extent of Rs. 19,251. The Provincial Society has been giving the credit required only by the smaller societies, that is, those requiring less than Rs. 2,000 the bigger societies being financed by local central banks. With the limited funds available, the Provincial Society has been finding it difficult to finance even these smaller societies. I have, therefore requested central banks to finance also those societies which require between Rs. 1,000 and Rs. 2,000.

For marketing the products of the societies, the Provincial Society maintained eight sales emporiums and also subsidized eight other emporiums run by the societies themselves. Efforts were made to find a sale for the articles through sale societies, co-operative stores and other co-operative institutions, and during the year goods worth Rs. 95,901 were sold through them. Attempts made to persuade merchants to undertake, on a commission basis, to sell the products of the societies have not yet proved successful. However, during the year, they purchased goods from 74 societies to the extent of Rs. 2,37,238. Another direction in which efforts are being made to market the goods was by the appointment of hawkers who will go from house to house in the City and in other towns. Sample books have been prepared of the various types of sarees, dhoties, shirting cloth, etc., produced by the societies, and distributed to the marketing staff. The calendering and finishing plant which was installed last year began work in October 1939. Societies did not, however, take full advantage of the facility provided, and the goods actually received at the plant were quite inadequate to use its full-time. Attempts have been made to secure orders in bulk from wholesale merchants in the City to calender the goods at the plant.

Since the establishment of the Madras Handloom Weavers' Provincial Co-operative Society in August 1935, there has been a very rapid increase in the business of weavers' societies. The value of cloth sold by them which was Rs. 40,000 in 1934-35, increased to Rs. 0.76 lakh in 1935-36; 1.60 lakhs in 1936-37; 4.31 lakhs in 1937-38; 7.37 lakhs in 1938-39 and to 11.19 lakhs in 1939-40. Within five years, the value of cloth sold has increased over twenty-fold.

The Government of India Subvention Scheme which was due to expire on 31st March 1940 has been extended by two years till 31st March 1942.

**The South India Co-operative Insurance Society.**—As required under the Indian Insurance Act (IV of 1938) the accounts of the society were closed at the end of the calendar year 1939. During the half-year ended 31-12-1939 the society received 1,464 proposals for Rs. 13·11 lakhs, of which 1,438 proposals for Rs. 12·74 lakhs were accepted. The total number of policies issued up to the end of the half-year was 11,805, for Rs. 100·40 lakhs; of these 8,207 policies for Rs. 70·55 lakhs were in force at the end of the half-year. The Life Assurance Fund at the end of the half-year was Rs. 4·85 lakhs.

**The Triplicane Urban Co-operative Society, Madras.**—The Triplicane Urban Co-operative Society had, as in the previous year, 29 branches in the City of Madras. Its membership rose from 5,943 to 6,128 during the year, and the value of the goods sold by it from Rs. 8·76 lakhs to Rs. 9·64 lakhs. The net profit earned also increased from Rs. 19,213 to Rs. 27,127. The increase in transactions by about 11 per cent was satisfactory.

**The Madras Co-operative Milk Supply Union.**—The Madras Co-operative Milk Supply Union purchased during the year, from the 14 milk supply societies affiliated to it, 688,120 measures of milk worth Rs. 2·21 lakhs and sold to the public 650,656 measures for Rs. 2·67 lakhs. The unsold milk was converted into milk products and sold for Rs. 0·16 lakh. Compared to last year, the quantity of milk sold increased by 32,749 measures and the quantity of surplus milk decreased by 11,649 measures. There was, however, a slight fall in the profit earned by the society, from Rs. 13,915 to Rs. 10,556. The milk required by seven State Hospitals in the City is now supplied by the Union. Milk is distributed to the public through 44 depots located in important consuming centres. Recently, the Union has opened a Milk Bar in Mount Road.

**Non-Credit societies.**—The following statement gives a summary of the transactions of some of the chief types of non-credit societies:—

#### SALE SOCIETIES

Year	Number of members	Loans issued during the year	Value of stock at the beginning and that received during the year	Value of stock released without sale	Value of stock sold	Net profit	Net loss
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
		IN LAKHS.	IN LAKHS.	IN LAKHS.	IN LAKHS.		
1937-38	18,936	62·12	107·59	32·76	24·72	47,267	9,875
1938-39	27,548	95·86	179·05	52·13	45·87	43,463	11,482
1939-40	36,787	107·30	230·52	97·27	56·82	66,956	19,596

## MILK SUPPLY SOCIETIES

Year		Number of members	Value of milk produced	Value of milk sold	Net profit	Net loss
			Rs.	Rs.	Rs.	Rs.
1937-38	..	1,199	1,89,382	1,90,950	464	1,580
1938-39	..	1,613	2,69,777	2,73,612	1,082	986
1939-40	..	3,082	3,79,620	3,89,779	2,984	1,168

## MILK-SUPPLY UNIONS

Year		Number of members	Value of milk purchased	Total value of sales effected	Net profit	Net loss
			Rs.	Rs.	Rs.	Rs.
1937-38	..	22	2,05,346	2,58,052	3,569	2,046
1938-39	..	53	2,88,198	3,44,838	3,396	1,093
1939-40	..	118	3,91,346	4,73,348	5,800	1,890

## STORES

Year		Value of goods on hand at the beginning and those bought during the year.	Value of goods sold	Net profit	Net loss
		Rs. (IN LAKHS).	Rs. (IN LAKHS).	Rs.	Rs.
1937-38	..	22·80	21·60	54,598	10,951
1938-39	..	25·03	23·77	68,003	12,062
1939-40	..	39·46	35·62	83,972	15,835

## STUDENTS' STATIONERY STORES

Year.		Number of Members		Number of	Value of	Net profit	Net loss
		Students	Teachers	Associates	books, etc., sold.		
					Rs.	Rs.	Rs.
1937-38	..	2,900	1,400	8,260	1,14,807	9,609	849
1938-39	..	3,976	1,588	10,251	1,72,934	13,650	1,351
1939-40	..	3,846	3,566	17,589	2,45,344	17,110	2,138

## WEAVERS' SOCIETIES

Year		Value of raw materials purchased	Value of finished products sold to the public	Net profit	Net loss
		Rs. (IN LAKHS)	Rs. (IN LAKHS)	Rs.	Rs.
1937-38	..	2.00	4.31	13,361	12,266
1938-39	..	3.22	7.37	16,319	27,348
1939-40	..	4.84	11.19	39,378	34,161

## BUILDING SOCIETIES

Year	Number of members	Loans from Government outstanding (in lakhs)	Number of houses completed		Loans from Govt. outstanding (in lakhs)	Value of houses		Net loss	Net profit
			During the year	Up to the end of the year		Completed	Under con- struction		
		Rs. (IN LAKHS).				Rs. (IN LAKHS).	Rs. (IN LAKHS).	Rs. (IN LAKHS).	Rs. (IN LAKHS).
1937-38	.. 4,462	17.97	1,939	132	138	75.84	4.47	0.53	0.06
1938-39	.. 4,583	20.36	2,071	244	169	78.18	3.58	0.55	0.08
1939-40	.. 4,647	21.67	2,199	194	104	80.16	2.46	0.83	0.08

**Sugar-cane growers' societies and unions.**—The Sugar Excise Subsidy Scheme for helping sugar-cane growers was in 1939-40 in operation in Vizagapatam, Kistna, East Godavari, Bellary and Coimbatore. The Vuyyur Sugar-cane Growers' Union in the Kistna district with a membership of 724 issued loans to members for Rs. 2.42 lakhs and distributed to them fertilisers worth Rs. 1.06 lakhs. The union acted as a feeder society to the Vuyyur Co-operative Agricultural, Industrial and Credit Society. This society worked its factory for 77 days in the year and produced 4,505 tons of sugar at a cost of Rs. 10.34 lakhs. It sold sugar for Rs. 8.44 lakhs and had stock in hand valued at Rs. 10.26 lakhs. The net loss of the society which stood at Rs. 2.95 lakhs at the end of the previous year was reduced to Rs. 1.22 lakhs. The Hospet Sugar-cane Growers' society in Bellary issued loans to members to the extent of Rs. 19,056, and the members of the society sold to the India Sugars and Refineries, Limited, sugar-cane worth Rs. 1.32 lakhs. The Kirlampudi Sugar-cane Growers' Society in East Godavari granted loans totalling Rs. 89,741 and helped the members to bring 1,700 acres of land under intensive cultivation. The Coimbatore Sugar-cane Growers' Union issued loans amounting to Rs. 21,652 and also marketed sugar-cane and jaggery worth Rs. 25,139. A

sugar factory on co-operative lines has recently been registered at Coimbatore. The Mangalore Sugar-cane Growers' Society sold jaggery worth Rs. 11,109.

**Consolidation of holdings societies.**—There were altogether 22 societies of this type in 13 districts. A special staff of Inspectors recruited from the Revenue Department was working in the districts of North Arcot, Trichinopoly, Nellore, West Godavari, Anantapur and Ramnad. In North Arcot 234·01 acres consisting of 1,009 plots were consolidated. While the minimum holding before consolidation was 0·01 acre, it was 0·14 acres after consolidation. The number of persons who resorted to consolidation was 112. Not much progress was made elsewhere, the total extent of land consolidated in all the other districts being only about 142 acres.

**Rectification work.**—The work for the improvement and revival of co-operative societies started in previous years was continued. A comprehensive programme of reconstruction in respect of each central bank in the Province was drawn up by the District Officers in consultation with the banks concerned, the following being the most important features of the programme:—

- (1) Intensive rectification work in societies involving an examination of loans and the obtaining of additional security, wherever the loans were found to be on inadequate security.
- (2) recovery of overdues, reconstitution of panchayats, where necessary, and revival of societies by admission of new members, grant of fresh loans etc.;
- (3) grant of suitable concessions to defaulters, where possible and necessary, with a view to induce them to repay their dues;
- (4) disposal of land which had come into the possession of societies in the course of execution proceeding taken against defaulters; and
- (5) initiation and development of schemes like controlled credit, forecast loans, etc.

For effective and concentrated work, each district was divided into three areas and each of these areas was placed in charge of an officer, one under the Deputy Registrar, another under the Co-operative Sub-Registrar and the third under the Executive Officer of the Central Bank. Wherever possible, the departmental staff for administration work were also entrusted with a few societies each for rectification work.

The progress made by the central banks in this scheme of intensive overhauling is indicated below:—

(1) Number of Societies in which examination was conducted	..	5,871
		Rs.
		(In lakhs).
(2) Total amount of loans, including interest, involved in them	..	192·48
(3) Of the above sum, the amount which stands on adequate security	153·48	
(4) The amount which stands on inadequate security	..	39·28
(5) Of the sum in (4), the amount—		
(a) for which additional securities were taken	..	2·28
(b) the amount collected	..	2·30
(6) Balance ill-secured	..	34·70
(7) Estimated bad debts in these societies	..	22·61
(8) Of this, the amount that will affect the central banks	..	6·53
(9) Amount of loans collected during rectification work	..	21·77

Certain central banks undertook a re-examination of the loans in societies with a view to collect fresh data, and this fact accounts for the decrease in the number of societies tackled and the amount of loans examined, compared with the figures of the previous year. In contrast to the practice adopted in previous years, the figures shown in the above statement in respect of collections effected and additional securities taken represent only the progress made during the year. The loans collected and the loans for which additional security was obtained amounted to 11·7 per cent of the total loans which stood on inadequate security. Considering the up-hill nature of the task, the progress made cannot be said to be poor; but much more remains to be done.

Inclusive of loans due from societies under liquidation, the total bad and doubtful debts as estimated in the last audit amounted to Rs. 40·77 lakhs. The Bad Debt Reserve of the bank amounted to Rs. 19·59 lakhs, while their statutory Reserve fund amounted to Rs. 34·67 lakhs. Both the reserves put together greatly exceeded the aggregate bad and doubtful debts.

One important question that was considered in connection with the improvement of the general financial condition of central banks and societies was the question of 'margin.' For some years, banks and societies have been following a policy of reducing their lending rates. It seemed as though far too much emphasis had been laid only on the desirability of affording the maximum relief to agriculturists and that due consideration had not been paid to the stability and interests of the financing institutions. In fact, in some cases, societies were found to be working on quite inadequate margins. The need for improvement in this respect was recognized by the Committee on Co-operation, and the Conference of Deputy Registrars and Central Banks held during the year, and Government also observed that no steps should be taken to force down the rates to a level which would jeopardize the interests of the financing institutions. I have accordingly advised central banks and societies that they should try, as a general rule, to maintain a margin of 2 per cent between their borrowing and lending rates.

I have also suggested that societies may re-introduce the provision in their by-laws for the levy of a slightly higher rate of interest (say  $\frac{1}{4}$  pie per rupee per mensem) on overdue instalments of principal. In my opinion, there should be a distinction between a member who is regular in his repayments and one who is not, and I believe that the levy of a higher rate will be a preventive against wilful default.

**Supervision.**—The primary societies were grouped for purposes of supervision under different agencies as shown below:—

Affiliated to local supervising unions	.. 8,801
Affiliated to Central Banks	.. 1,692
Under the Fisheries Department	.. 54
Under the Special Police Officer for Kallars	.. 261

The supervision of the large majority of the societies continued to be in the hands of the local supervising unions. There were 252 unions at the end of the year. The Central Banks continued to pool and administer the Supervision Fund. The amount at the credit of the District Supervision Fund at the beginning of the year was 0·46 lakh. The Supervision Fund collected from societies amounted to Rs. 1·42 lakhs, and the Supervision Fund paid by the Central Banks in accordance with their



by-laws was Rs. 1.32 lakhs. In addition to this sum, the Central Banks also contributed Rs. 1.34 lakhs from their general funds. The total amount pooled for purposes of supervision was Rs. 4.54 lakhs, of which Rs. 4.18 lakhs were spent on supervision.

The supervision done by the local unions was in general not very effective, and much remains to be done in this respect.

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### MYSORE

**Review of the Government of His Highness the Maharaja of Mysore of the Report of the Registrar of Co-operative Societies, Mr. M. Abdul Hukh, B.A., for the year 1939-40.**

With the registration of 41 societies and the cancellation of registration of 45 societies, the number of societies at the end of the year stood at 1895. Though the membership showed a small increase during the year, there was a decline in its Paid up capital and deposits. There was however a slight improvement in the working capital, turnover, reserve and other funds, loans issued and recovered and the net profits.

In the **Central Societies** while the membership, share capital, working capital, reserve funds and net profits showed an increase, there was a decrease in deposits and other funds. There was a slight decrease in the share capital and deposits of Mysore Provincial Co-operative Apex Bank and a small increase in its reserve fund. The recovery of loans during the year amounted to Rs. 2,26,043 towards principal and Rs. 1,69,933 towards interest as against Rs. 1,69,571 and Rs. 1,38,423 respectively, in the previous year. The percentage of overdues under all heads to the total outstandings was 77.15 as against 79.12 on 30th June 1939. The working of the Bank during the year has resulted in a net profit of Rs. 34,213 as against Rs. 14,614 in the previous year which is very satisfactory. The arrears under interest has risen to Rs. 5,64,794 on 30th June 1940 from Rs. 4,56,140 on 30th June 1936. It is stated that unfavourable seasonal conditions and the continued economic depression are chiefly responsible for this, but this cannot be taken as a satisfactory explanation. More strenuous efforts should be made to recover the interest as it falls due. To improve the financial resources of the Bank to meet its liabilities, Government sanctioned a cash credit of Rs. 5 lakhs to the Bank, of which a sum of Rs. 2 lakhs was drawn during the year. Government are glad to note that there has been improvement in some directions in the working of the Bank during the year. The policy of granting concession to societies which showed keenness in repaying their loans continued during the year and it is gathered that 186 out of 400 indebted societies availed of the concession. The work of revaluing the securities offered for loans granted previously was continued during the year and preliminary examination has been completed in about 250 indebted societies. The work in this direction should be speeded up. It is very necessary that the officers of the Department and the authorities of the Bank should take suitable measures to reduce the heavy frozen debts by recovering larger sums from the debtors by affording them facilities for easy payment of the dues to the Bank.

**The Primary Agricultural Societies** showed a slight decline in number but an increase in membership. The working capital also slightly increased though the

share capital decreased to some extent. The agricultural supply societies dealt with the supply of seeds, manure, implements and koleroga materials, etc.

There were twelve marketing societies in the State at the end of the year for the sale of figs, paddy, plantains, eggs, potatoes and ginger, oranges, cocoanut and copra, honey and wax, cardamoms and areca. The Maradihally Co-operative Society is a typical multi-purpose society—first started as a credit institution—now dealing with the supply of seeds, manure and implements recommended by the Department of Agriculture and undertaking the distribution of cotton seed and co-operative sale of cotton and also selling cloth required by its members. The Malnad Areca Marketing Co-operative Society started last year with jurisdiction over Shimoga and Kadur Districts made good progress. It has 682 members of whom 548 members lodged for sale 26,035 maunds of areca with the society. Out of this, 8,054 maunds were sold at a value of Rs. 64,432. An agency for the sale of Society's areca was opened at Bellary. Government sanctioned a subvention of Rs. 3,000 to the society to meet its working expenses in the initial stages.

The non-agricultural non-credit societies have not shown much improvement during the year. The Registrar is requested to pay greater attention for the organisation and development of industrial societies to enable the agriculturist to make a better living by the surplus income that he may get from subsidiary occupations. He is requested to be in touch with the Department of Industries in achieving the above object. The House Building Societies are no doubt doing good work but they operate more as urban credit institutions financing a particular scheme by long term loans than as institutions dealing co-operatively in the supply of raw materials to and the construction of houses for their members. The societies started for women and for students worked satisfactorily and special mention may be made of the Arya Bhaginiyara Society, the Tumkur Ladies' Society and the Bangalore Engineering College Society. Among the Depressed Class societies the Sri Krishna Dhanalakshmi Co-operative Society, Mysore, and the Kolar Hospet Adikarnataka Society have done good work during the year.

At the end of the year, the Land Mortgage Scheme was in operation in 39 taluks, 4 sub-taluks and portions of 3 taluks. With the idea of extending the scheme throughout the State by an accelerated programme of expansion consistent with safety, Government sanctioned during the year under review the post of an Assistant Registrar specially for this scheme. It is hoped that, with an officer devoting special attention for this purpose and as many as 11 Inspectors to assist him, the Land Mortgage Scheme will be placed on a firm basis and make steady progress, conferring considerable benefits to the indebted agriculturists throughout the State.

The Central Land Mortgage Bank showed another year's record of good work. The fifth series of debentures at 3½ per cent sanctioned by Government attracted a capital of Rs. 1.25 lakhs. The recovery of the dues has been very satisfactory, as a sum of Rs. 1,02,525 was collected as against a sum of Rs. 1,05,195 due, the percentage of overdues to demand being 2.54 as against 10.95 in the previous year. The Government continued the subvention of Rs. 5,000 to the Bank during the year to enable it to reduce its lending rate and also to meet its working expenses. The continued successful progress of the Bank is due mainly to the untiring zeal and interest evinced in its administration by its President *Rajasabhabhushana Dewan Bahadur K. R. Srinivasa Iyengar, M.A., Retired Member of Council,*

assisted by an able Executive Committee. Government wish to record their appreciation of this excellent work. The working of the Primary Land Mortgage Societies was also satisfactory on the whole.

Out of 168 societies brought under liquidation till the end of 1939-40, proceedings were completed in 11 cases leaving a balance of 157 at the end of the year. Though liquidation is a slow process as explained by the Registrar, the disposal of only eleven cases out of 168 cannot be regarded as satisfactory. The liquidators appointed for these societies should see that the proceedings are not unduly prolonged but are brought to a close as early as possible. The officers of the Department should keep a close watch over the progress of the proceedings with a view to speed up disposal of cases.

There was some improvement in the disposal of disputes by the officers of the Department and arbitrators. Attempts should be made as far as possible to dispose of expeditiously the old disputes as the pendency of such disputes for long periods will be detrimental to the interests of the societies. The number of decisions executed this year is less than that of last year and works out to nearly 29·5 per cent leaving a balance of 70·5 per cent pending execution. This is by no means satisfactory considering that temporary establishment of eleven special Revenue Inspectors has been appointed in several districts to speed up execution work. Government have been repeatedly pointing out that the prompt execution of decrees leading to the speedy recovery of amounts due is essential in the interests of the financial working and development of the societies and have stressed the necessity for the co-ordination of the efforts of the officers of the Revenue and Co-operative Departments in attaining this object. It is hoped that more strenuous attempts will be made for the expeditious disposal of the pending cases and to the speedy recovery of the amounts due to the societies. The work of reconciliation of the figures of pendency of the execution of decrees between the Revenue and Co-operative Departments should receive special attention and the figures got reconciled before the end of the current year and not allowed to drag on indefinitely. Though there is improvement in the recovery of court fees during the year, the balance to be recovered is still heavy being Rs. 29,451. Vigorous attempts should be made to reduce this balance.

**The Mysore Co-operative Institute** continued its training classes for the benefit of the office bearers and employees of co-operative societies and others. The grant to the Institute by Government has since been increased from Rs. 500 to Rs. 750. It is hoped that the Institute will undertake in a greater measure the work of propaganda for inculcating the principles of co-operation particularly among the rural population and educate the masses to understand and to take advantage of the benefits accruing from the co-operative movement.

**The following are the concluding remarks of the Registrar:—**

As usual the Urban Co-operative Movement has fared better than the societies in the rural areas. In fact, excepting the Land Mortgage Societies, which have again recorded an appreciable progress, there has not been much improvement in the other rural credit societies. More societies had to be placed in liquidation sooner or later. There has not been much demand for loans from the Apex Bank from rural co-operative societies, though it was expected that the introduction of the Moneylenders' Act would pave the way for fostering and developing the rural

credit agencies like the Co-operative Societies. The most important work that the societies were engaged in was the problem of recovery of the old dues by the adoption of coercive processes. Attempts made to liquefy the frozen debts and revitalise the indebted societies have been successful to some extent and the recoveries to the Apex Bank have improved considerably. Grant of a large number of instalments for repayment of the consolidated dues and enforcement of the punctual repayment of such instalments in the same way as in the case of the Land Mortgage Societies, at least in the case of long term loans granted by the Apex Bank through the rural societies, requires consideration. The future lines of advance in respect of Agricultural Co-operation are to my mind the expansion of the Land Mortgage Scheme and the development of the marketing of agricultural produce. These are steadily kept in view and an accelerated programme of work has been undertaken. A society for the sale of areca at Shimoga and another for the sale of fruits at Belur, a third for the sale of honey at Saklespur and another for sale of cocoanuts at Nuggihalli have been organised. The Ganjam Figs Marketing Society has shown further development. A society for the sale of paddy in the centre of the paddy growing area in the Mysore District is under contemplation and investigations therefor are proceeding. The working of these institutions will have to be watched before fresh ground is attempted to be covered.

## CO-OPERATIVE CONFERENCES AND MEETINGS

### THE ELEVENTH LAND MORTGAGE BANKS' CONFERENCE, MADRAS, 4TH JANUARY, 1941

Extracts from the Opening Address of H. M. Hood, Esq., C.S.I., C.I.E., I.C.S.,  
Adviser to His Excellency the Governor of Madras :—

I welcome the opportunity to say more publicly some of the things which I have mentioned individually to a few gentlemen connected with the Land Mortgage Banks.

Mr. T. A. Ramalingam Chettiar has referred to the position arising out of the War. The Industrial development of Madras is not being neglected. During the past year the investigation of mineral resources has been augmented and will shortly be increased further by more Geologists. A report on the Gold in the Wynaad was recently published and reports on other minerals will follow. I look to the development of these natural resources to improve our general industrial and economic position, particularly in those localities which are not very favourable to agriculture.

At the same time we are doing all we can to secure an increasing volume of orders for military supplies and in this we rely on the enterprise of our industrial leaders to take the fullest advantage of the present opportunities. The war has naturally resulted in cutting off many markets and some peace time products have slumped. Some substitution of crops is indicated and modification of production is necessary to meet new requirements.

I should like to refer to certain rumours and tales that received some currency recently with regard to the Taluk Committees formed by Government for the purpose of publishing what they considered fair retail prices in bazaars and of steadying the retail markets. We have been anxious that there should be no profiteering and that dealers should not exploit a local or temporary scare to push up prices but throughout there has been neither effort nor intention on our part to restrict the prices which the agriculturist may obtain for his produce. There has been complaint in the towns that the cost of rice has risen, but taking the Presidency as a whole it appears to me to be good that the agriculturist should earn a little more by his labours.

Mr. Chettiar mentioned a request to Government to increase the sum placed at the disposal of the Central Land Mortgage Bank to cover the issue of debentures. I am afraid that the public purse is a shallow one compared with the demands on it and we have not been able to comply fully with the Bank's request but the provision we have made will, I believe, be ample to tide the Bank over the remaining months of the year without any embarrassment. And with regard to an increase in the amount of debentures guaranteed by the Government you are aware that that figure at present stands at 250 lakhs. I think you will all appreciate the fact that, placed as the present Government is on a temporary pedestal, it is unlikely that it will enter into commitments which may extend long after its own lifetime. But equally you may be assured that we will not let you down.

Your President has referred to the successful working of the Land Mortgage Banks, and it gives me the most lively pleasure to know that in spite of the constant vagaries of what a humourous world calls our climate, repayments have been satisfactory and the financial position of our banks is sound. I am confident that it will remain sound so long as the true function of these banks is appreciated—so long as the well being of the bank is without reserve the continued, first and vital concern of the management.

In regard to the Land Mortgage Banks' lending rates I think, in view of what has been said, that I may usefully place a certain point of view before you. When in 1923 I sat down at the Registrar's table, it required a very short time to realise that a number of serious practical problems had to be tackled at once. The voluminous literature on the benefits which it was sought to reap had to wait and it was best to leave the theorising and the insistence on moral benefits to those who had a flair for it. In this view I was confirmed by some study of the history of the movement. Co-operative Societies were devised to meet the hard practical difficulties of many poor people. The first object was purely economic. The moral effects of action and loyal participation in co-operative societies were discovered later and were never the original aim. I do not wish for a moment to belittle those advantages or the uses which we may make of co-operative societies for purposes other than material ones and these secondary results provide further justification for the Government to foster the movement, but what I wish to emphasise is that they flow naturally from the economic effects which it must be our first concern to produce. The results will follow if we tackle the economic problem successfully on co-operative lines. I have been accused of being unsympathetic. I plead not guilty unless it is unsympathetic to insist that a society formed for business purposes with the help of other people's money shall be run on business lines on a basis which ensures permanence. We shall not solve any economic problem, much less will any other advantages flow from a co-operative society unless it is a successful one and, in fact, if we are to produce any lasting effects at all we must look first and foremost to the society itself. Our first concern is to produce economic advantages. For that we must be quite sure beyond any doubt that a co-operative bank itself is in an unassailable position. Not just reasonably safe but so secure that it will continue to command such confidence in the public that they will readily put their money in it at low rates of interest. This is particularly true of Land Mortgage Banks. It is good to be able to lend money to agriculturists for long terms at low rates of interest and that is our object. But the question is not what rate can the ryot conveniently pay? The question is at what rate can the Bank safely lend? At what rate can it safely lend and be sure of going on lending. Too many people are urging that the immediate advantage of the ryot is the first consideration but if those kindly philanthropists had their way the movement would soon be in difficulties.

This is my answer to Mr. Chettiar's remark that the increase in the rate of interest may work some hardship to the ryot. I do not gainsay what he says. It may be rather hard on the ryot but it will be harder if the bank has to borrow at higher rates and it will be harder if the bank has to suspend loans through inability to float more debentures. For this reason it must work with an ample margin and build up its reserves for you will realise that in borrowing at  $3\frac{1}{2}$  per cent. and lending to primary banks at 5 per cent. and building up a sinking fund which it can only reinvest at about 3 per cent. to provide a sufficient sum to repay debentures on maturity, the margin is on the whole only about  $\frac{1}{2}$  per cent.

It is entirely in the interests of the bank and therefore ultimately of the ryot that we urged the bank to increase its rate of interest on loans. You may think me unduly cautious. The bank has been running for 10 years and there has been no difficulty at all. There have been bad years for the agriculturists but the repayments have come in and the position of the bank is sound. But loans are for 20 years and I suggest that the second 10 years when many more of the original borrowers have passed away may not be quite so easy as the first ten. This appears to me to afford another reason for added caution and for increasing your reserves.

There is another matter to which I should like to refer. It is this. The banks are lending to ryots on a system of equated annual repayments. The amount of annual repayment is less as the term is extended. At first this fall in the amount is large but when one goes further the amount of reduction of the annual payment becomes less. On the other hand the total amount repaid becomes more and more. When one repays in 15 years the annual repayment is about 110 on a 1,000 loan. If the period is extended to 20 years the annual payment is nearly 100 but the total repaid is much greater when the period is extended from 15 to 20 years. Is it really of much advantage to the ryot to extend the period to 20 years, involving a greater total repayment in order to reduce the annual payment by so small an amount? I should like you to ponder on this aspect of your business and I will only remark that it is in the bank's interest that loans should not be longer than is quite necessary.

**Extracts from the address of Sri T. A. Ramalingam Chettiar, M.L.C., President, Madras Co-operative Central Land Mortgage Bank, Ltd.**

We have passed through a year of great strain and apprehension. The European war has been extending and its effect is being felt increasingly in this country. The loss of the markets for our produce has affected seriously the agriculturists of our province. The immediate future is not very bright so far as the economic position of the ryots is concerned. The war boom that was expected has not been realised. On the other hand, the prices of most of the commercial crops have gone down. The fact that in spite of these disturbing elements and the political turmoil, India has been able to maintain a fairly stable financial equilibrium is a great tribute to the economic position of the country. Unless adequate steps are taken to find markets for our produce or utilise them in our own country by developing the industries, our position will become difficult. While we have to press on the Government and responsible non-official agencies to take up the questions of industrial organisation and export seriously in hand, our ultimate security and development will depend on the speedy termination of the war and the success of the Allies.

The work of the Land Mortgage Banks was hampered by fear of financial instability at the beginning of the war. The Government who insisted on our adopting the method of floating debentures in lump sum once or twice a year and offered to give advances during the interval, went back on the arrangement and stopped the advances. They further insisted on our floating debentures to pay off their dues. The result of this was that from the beginning of October to the end of December 1939 all lending had to be stopped. This affected the primary banks and the borrowers, who were expecting loans in the usual course, very seriously. Complaints poured in that the borrowers were being harassed by creditors and that their properties were being brought to sale. The Govern-

ment were pleased to modify their order by allowing us to draw up to Rs. 15 lakhs in January, February and March and Rs. 45 lakhs in the current year ending with 31st March 1941. They subsequently allowed us to draw Rs. 3 lakhs more in March. They also allowed us to float debentures in dribblets so that we may have an open series of debentures for subscription always, so that those who want to invest may at any time apply for debentures and get them allotted. This was the old method we followed. The Government have also made a condition that our dues to them at the end of the year should not exceed what it was at the beginning of the year. The Land Mortgage Banks are very much indebted to the Government for the orders passed and I am glad to convey to Mr. Hood in person to-day our gratitude for this speedy and substantial help he has given to the movement.

I am very glad to inform you that there has been a very satisfactory response to the issue of our debentures and we have been able to carry out not only the conditions imposed by the Government but also to pay off some of the dues maturing later. I want to take this opportunity to thank the Inspector of Local Boards and Municipalities and the Registrar of Co-operative Societies whose help in getting subscription for our debentures was very valuable.

While the Government wanted to limit the maximum amount of our drawing, we were not also sure that we will be able to repay the amount we were allowed to draw in the course of the year. So, the limit of Rs. 45 lakhs was fixed for the transactions of the current official year. We had to stop lending larger sums than Rs. 5,000 to one individual, so that the money available may be lent to a larger number of the poorer people. We now find that even so, the Rs. 45 lakhs the Government agreed to allow us to draw, will be exhausted in the course of this month and for February and March, there will be no resources available under the agreement for financing loans. We requested the Government to raise the maximum limit of our drawing and I am happy to say that we have received the order of the Government allowing us to draw Rs. 7 lakhs more during the current year. With this additional resource we will be able to meet the needs of February and March.

The guarantee given by the Government for the debentures floated by the Central Land Mortgage Bank was raised from Rs. 200 lakhs to Rs. 250 lakhs in the year 1939. The limit of Rs. 250 lakhs will be reached very soon. We have, therefore, requested the Government to raise this limit by another two crores. In spite of the fact that there were no loans disbursed for about 3 months on account of the Government order referred to and the fact that the maximum limit of loans was reduced to Rs. 5,000 and some of the banks newly started had not begun to do business, the loans sanctioned during the last year amounted to over Rs. 46 lakhs. A number of new banks have been started, the transactions of which are likely to increase. A few more banks are also likely to be started in the course of this year and the next. In a full year if all the banks work efficiently and the maximum limit of loans is raised to Rs. 10,000 as before, we would require about seventy-five lakhs for lending. It is on this basis we have asked the Government to raise the limit of their guarantee by another two crores, so that we may not trouble them again for some time and we may also be sure of steady and stable advance during that period. The Government were particular in insisting on the margin between the borrowing rate and the lending rate of interest of the banks being raised with a view to build up speedily a big reserve so that the bank may be in a position to dispense with the guarantee of



the Government as soon as possible. Our arguments contra were of no use. The Board of Management has at its last meeting agreed as a matter of necessity to work with a margin of 3 per cent. as desired by the Government. While the present rate of interest to the ultimate borrower is 6 per cent, for moneys lent out of debentures raised under cover of the guarantee to be extended, the rate will have to be  $6\frac{1}{2}$  per cent, with the present  $3\frac{1}{2}$  per cent. interest paid on our debentures. I have informed the Government that in case we have to pay a larger interest for our debentures, the position may be reconsidered. I hope the Government will pass early orders in the matter and extend the guarantee for the debentures by two crores as requested by the bank. While I am aware of the scanty return received from agriculture and the position of the ryots, and the fact that in several deltaic areas the rate of interest for private transactions is as low as 6 per cent. I can see no way beneficial to the borrowing ryots except agreeing to the condition insisted upon by the Government, as we will have to pay very much more by way of interest in the open market if there is no Government guarantee, and I am also very doubtful whether we will be able to raise all the money we require even at the enhanced rate of interest without the guarantee. It became, therefore, necessary to accept the condition even though it is likely to work some hardship to the ryots borrowing from the primary banks.

In addition to the difficulties created by the war, the vagaries of the monsoon have also contributed to the troubles of the ryots. Draught in some parts of the country and floods in some other parts created trouble. In spite of everything, I am happy to say that all the primary banks in the province have paid off their dues and there are no arrears due to the Central Land Mortgage Bank. But in some of the primary banks, there are large arrears due from the members. In many of these cases, the arrears were due to the fact that the original borrowers alienated their properties without the permission of the banks concerned contrary to their agreement and the loans had, therefore, to be closed. It is becoming a serious question in many of the banks that this practice of alienating properties by subsequent mortgage or sale is increasing. The subsequent alienation defeats the object for which Land Mortgage Banks are working, viz., the redemption of the borrower. It also creates complications and troubles. The idea of thrift vanishes and there will be no use in computing the repaying capacity of borrowers when the alienee takes the liability of repayment. This is a serious question which will have to be tackled. I request the conference to consider it and give a proper lead.

While the number of banks has increased, it cannot be said that all the areas in the province are adequately or efficiently served. It may be claimed that all the areas irrigated by canals, tanks or wells are served more or less efficiently according to the enthusiasm and work put forth by the bank officials in the localities. The areas where irrigation facilities are wanting are not, and I fear, under the present arrangement, cannot be adequately served by the Land Mortgage Banks. It is a serious question to be considered how far and under what conditions land mortgage banks can lend money on the security of purely rainfed lands. It has also to be recognised that rainfed lands are not to be treated in the same way in all localities. While most of the Presidency is covered by the banks already started, a few more banks will be necessary to completely cover the province. There is a loud complaint from the banks that the Co-operative Sub-Registrars are not able to cope with the work allotted to them, as in several areas the three or four banks allotted to each Co-operative Sub-Registrar are too

much. The number of Co-operative Sub-Registrars will have to be increased if the loan applications are to receive prompt attention.

The number of banks working at the end of the year was 119 and the total amount of loans actually disbursed before the end of the year was Rs. 42,81,940 as against Rs. 53,52,865 disbursed during the previous year.

**The following are some of the resolutions passed at the Conference:—**

1. This Conference requests the Government to furnish encumbrance certificates to Land Mortgage Banks from the time of block survey as the present practice of giving encumbrance certificates for the past 24 years would not facilitate proper enquiry into the title of the applicant for the loan applied for in the primary land mortgage banks.

2. Authenticated copies of records of the P.L.M. Bank and C.L.M. Bank in pending and disposed of loan files relating to their own transactions be supplied to members on payment of 2 annas per hundred words.

3. The Government be requested to make early provision to secure the grant of pattas by Zamindars.

4. Resolved again to request the C.L.M.B. to consider the jenmam lands which are subject only to the payment of water-tax to Cochin Government or anybody else under a registered contract creating a charge on the property for the said tax as superior jenmam lands because of the assurance of crops on them and therefore to take such lands as jenmam lands free of encumbrance for the purpose of advancing loans, the only condition necessary being that the debtor should produce the water-tax receipt every year as in the case of revenue and Michavaram.

5. This Conference resolves that the percentage of loanable amount may be raised in the case of Tea, Coffee and Potato lands from 35 per cent. 30 per cent. and 30 per cent. to 50 per cent. 45 per cent. and 40 per cent. respectively, particularly in view of the steady rise in the prices of tea export quota, coffee and potatoes in the Nilgiris and

that fruit gardens in the Nilgiris may be valued on the same basis as in other districts in the plains. "Referred to the Board."

6. This Conference is of opinion that the new remittance facilities in India and Burma introduced by the Reserve Bank of India are highly detrimental to the successful working of the primary banks in as much as the free remittance transfers through the Imperial Bank of India are discontinued and a levy of exchange is resorted to. This conference therefore urges on Government of Madras and the Reserve Bank of India to restore the former facilities having regard to the infancy of the primary banks among other credit Societies.

Resolved that the C.L.M.B. be requested to bear the cost of remittance to the bank while the bank bears the fees for remittance to the C.L.M.B., until the charges are abolished.

This Conference resolves that the C.L.M.B. be requested to open current account with the District Co-operative Central Banks so that the remittances to the primary banks by C.L.M.B. and by the primary banks to C.L.M.B. may be made at the District Co-operative Central Banks and thereby save both the

primary banks and the C.L.M.B., lot of remittance transfer fees, and save inconvenience and delay also.

7. This conference resolves to fix the following dates for payment of the instalments due to the C.L.M. Bank from the P.L.M. Banks.

1. 15th February
2. 15th May
3. 15th August
4. 15th November

} It is left to the option of the borrower to choose any one of the concerned due dates.

8. Resolved to request the Government to allow amendments to by-laws providing for setting apart a portion of the profits for a building fund.

9. This Conference is of the opinion that the existing practice of special reserves to be merged in the working capital of the bank is unhealthy and therefore suggests to the Registrar to propose suitable amendments to the by-laws so that all special reserves shall be invested in the same manner as the Reserve fund either in the Central Land Mortgage Bank or in such other manner as the Registrar suggests from time to time.

10. Whenever the applicants are required to effect sub-divisions the revenue authorities may be requested to effect sub-divisions at the Government's cost as to avoid the unnecessary expenses to be incurred by the applicants and to avoid the delay in the disposal of loan applications.

11. The Conference recommends to the Registrar of Co-operative Societies to organise a Crop Loan and Sale Society at the headquarters of each Land Mortgage Bank as much difficulty is being felt by our borrowers to repay their instalments and had to sell their produce off hand at a low price in view of emergency without retaining the produce for sale at a high price.

## THE MYSORE PROVINCIAL CO-OPERATIVE APEX BANK LTD.

Silver Jubilee Celebrations, 2nd March 1941.

### MESSAGE OF HIS HIGHNESS THE MAHARAJA OF MYSORE

I am directed by His Highness the Maharaja to send you a message of good wishes on the completion of twenty-five years of working of the Mysore Provincial Co-operative Apex Bank. In common with the rest of the Co-operative Movement in the State, the Bank has endured many vicissitudes during the past quarter of a century and has still anxious questions to face, but His Highness sincerely hopes that it has seen the worst of its troubles and has a career of uninterrupted prosperity before it in the years to come.

C. TOD HUNTER

Private Secretary to His Highness.

**Welcome speech of Lokasevasakta C. S. Kuppuswamiengar, President of the Bank.**

"Some ten years after the introduction of the Co-operative Movement in the State in 1905, it was felt that there should be a Central Financing Agency formed and managed by the Primary Co-operative Societies and worked solely for their

benefit. It was also considered desirable that the audit and supervision of such societies, and to a smaller extent co-operative propaganda generally, should be undertaken by such a central financing agency. To meet these needs, the Mysore Provincial Co-operative Bank was established in November 1915.

Strong doubts were expressed at first about the success of such an institution. But thanks to the sympathetic interest of Their late Highnesses, Maharaja Sri Krishnaraja Wadiyar Bahadur and Yuvaraja Sri Kantirava Narasimharaja Wadiyar Bahadur and the Government of His Highness the Maharaja, and the enthusiastic efforts of official and non-official workers in the cause of co-operation, the Bank has made steady progress. It is no exaggeration to say that the Bank owes its existence chiefly to the efforts of Mr. M. A. Narayana Iyengar, B.A., B.L., (now Swami Srivasananda of the Sri Ramakrishna Math), who was the Registrar of Co-operative Societies in 1915.

Within two or three years of its formation, the work done by the Bank proved that it met a real need. At the close of the year 1915-16, it had a membership of 308 societies and 504 individuals, its paid-up capital was Rs. 53,932, its deposit Rs. 1,25,500 and its loans Rs. 2 lakhs. In ten years, its membership had increased to 527 societies, while its paid-up capital was Rs. 1.47 lakhs, deposits Rs. 4.87 lakhs, loans Rs. 5.72 lakhs and Reserve Fund Rs. 40,331.

As has been mentioned already, the main object for which the Bank came into existence was to finance the Co-operative Societies in the State. It has so far lent over Rs. 57.63 lakhs to its affiliated societies, most of which are Rural Agricultural Societies. The loan policy of the Bank was, indeed, liberal when economic conditions were good. The Management of the Bank has never hesitated to render assistance to the societies in every deserving case. But since the world-wide economic depression, which set in after 1930-31, the Bank has been following a policy of cautious restriction in the issue of loans to them. The rates of interest on loans have steadily decreased and the advantages of lower rates of interest prevailing in the money market have been passed on to the borrowing societies. In the earlier years, the rates of interest on loans ranged from  $7\frac{1}{2}$  to  $9\frac{1}{2}$  per cent. For some years past, the maximum rate charged has been  $7\frac{1}{2}$  per cent. Loans granted for current agricultural operations are charged only at 5 per cent while the loans to House-building Societies are at  $5\frac{1}{2}$  per cent.

"The Movement has indeed been passing through a critical period in Mysore in common with other parts of India; and it cannot be expected that progress could well have been quicker than it has been." This was the observation made by the Mysore Committee on Co-operation, 1936, and it aptly applies to the position of recoveries of loans from indebted societies. Continued economic depression during the past decade adversely affected the repaying capacity of the borrowers of rural societies. The agricultural population suffers most of all from the heavy and prolonged slump in the prices of agricultural commodities and the phenomenal decline in land values which was further aggravated by a series of bad harvests. The consequent lowered capacity for repayment of debt materially contributed to the growth of overdues. Throughout these years, the Bank has taken the right and liberal attitude of foregoing penal interest chargeable on defaults, appreciably reducing the rate of ordinary interest, consistently with safety and granting extension of time in the case of societies which make honest efforts to keep to their obligations, though this has meant a reduction in the Bank's own receipts. The Bank has still kept open the offer to extend these concessions to all other societies that pay up at least their arrears of interest. Some 186 societies have so far

taken advantage of the concessions. The Management of the Bank have to admit with regret that the progress in the direction of recoveries during the past decade has not been as encouraging as it has been in other directions. But there is no need for alarm. The Bank does not occupy an isolated position in this respect. The position is the same or perhaps even worse in some of the British Indian Provinces. Energetic, prompt and sustained measures are being taken to speed up recoveries and the efforts of the last two years have not been in vain. The improvement in the situation has been distinct and the results are visible. The continuous increase of arrears during the past many years has been effectively checked and the percentage of overdues reduced. In spite of the adverse effects of the European war, the outlook for the future is fair and encouraging as could be judged from the results so far obtaining during this Jubilee Year. The Management takes this opportunity of assuring the share-holders, investors and the general public that no pains will be spared to improve and safeguard the stability of the Bank, so that it might continue to render the best of service to the Movement.

With the advent of the Land Mortgage Scheme in Mysore, the Bank had to restrict the grant of credit to societies on long-term basis, with the exception of loans granted to House-building Societies. Most of the loans granted by the Bank in recent years are for short periods, for current agricultural operations and for marketing of the produce grown by the members of the affiliated societies. There is a large scope in the State for extending marketing facilities to the villages. Crops, such as cardamom, areca, cotton, cocoanuts and copra, paddy and other food grains can be marketed on a co-operative basis on a large scale, thereby securing just and reasonable prices to the raiyats, whose profits are at present going mostly to middlemen.

It would not be out of place here to mention the assistance which the Bank has received from the Government from its inception. Such assistance has taken many forms. A cash credit of Rs. 1 lakh was sanctioned as early as 1916. In the year 1926-27, the Bank was recognised as the sole agency for utilising Government grants for the development of Agricultural Co-operation and House-building activities in the State. A sum of Rs. 15,000 at 4 per cent. interest has been placed with the Bank for advancing to Agricultural Societies, amounts necessary for the purchase of seeds, manure, and implements as may be required by the members of such societies and a sum of Rs. 1½ lakhs at 4½ per cent interest for financing House-building Societies in the State.

As recommended by the Mysore Committee on Co-operation, 1936, Government have sanctioned a cash credit of Rs. 5 lakhs to the Bank. Government have also made available from time to time the services of experienced officers of the Co-operative Department for the inspection and supervision of the societies indebted to the Bank. The Secretary of the Bank has been a whole-time Government Officer. A moiety of his salary and allowances and the pensionary contribution are met by Government. The travelling expenses of the two Official Liquidators of the indebted societies, which are under liquidation, are paid by Government. The financial and other support thus extended by the Government to the Bank have contributed not only to the development of the activities of the Bank but have helped also to raise its prestige in the public eye.

The relations of the Bank with the Co-operative Department have always been cordial. Successive Registrars of Co-operative Societies and other Officers of the Department have been uniformly kind and helpful to the Bank. I take this opportunity of expressing our appreciation of the services of Mr. Abdul Hukh,

Registrar, and other Officers of the Co-operative Department for the interest they have been evincing in the working of the Bank and of its indebted societies.

The present position, from the point of view of Share Capital, Membership, Deposits, Loans, Working Capital and Fluid Resources is as follows:—

			Rs.	
Share-Capital:				
Authorised	..	7		lakhs
Subscribed	..	3.81		"
Paid-up	..	2.49		"
Membership:				
Societies	..	1,063		
Individuals	..	189		
			Rs.	
Deposits	..	23.31		lakhs
Reserve and other Funds	..	3.31		"
Loans due by Societies	..	22.41		"
Gross Profit, 30-6-1940	..	63,670		
Net Profit	..	34,312		
Working Capital	..	34.90		lakhs
Fluid Resources	..	10.93		"

These are the achievements which the Bank has to its credit. The steady and unselfish labours of a host of the public-spirited gentlemen associated with it from the very beginning have rightly made the Institution the pivot of the Co-operative Movement in the State. In the past, in spite of adverse circumstances, this position has been filled with honour and success. Let us trust and pray that the future will be even more glorious.

**Presidential speech of Rajamantrapravina K. V. Anantaraman, Member of Council, Government of H. H. the Maharaja of Mysore.**

Your organization stands at the head of the co-operative movement in the State. On its efficiency, resources and out-look depends the success of the numerous primary Societies of different kinds scattered all over the State. The Bank has now completed twenty-five years of work. The first twenty-five years in the life of an institution are generally years of difficulty and anxiety and the inherent strength of the constitution is sorely tested. The report that has been read to us by the President of the Bank shows that it has had its critical years. Continued economic depression and a succession of poor harvests adversely affected the repaying capacity of the borrowers of rural Societies and the latter in their turn became defaulters in the payment of their dues to the Apex Bank. It is gratifying to note that as a result of concessions given to defaulting Societies, and of the energetic, prompt and sustained measures undertaken to speed up recoveries, the continued increase of arrears has been checked and the percentage of overdues reduced. I am glad to hear that the management considers the outlook for the future fair and encouraging.

The results of the working of the Bank during the Jubilee years are certainly satisfactory. The amount of loans recovered during the year was half a lakh

more than in the previous year. There has been a striking increase both in gross and net profits. The percentage of working expenses to gross profits has fallen by 11 per cent. With the increase in the prices of agricultural produce now apparent, I feel sure that the results in the coming years will be even more satisfactory than heretofore.

It is gratifying to note that the Bank has latterly undertaken the grant of loans for short periods for current agricultural operations and for the marketing of the produce grown by the members of the affiliated Societies. There are various crops which can be marketed on a co-operative basis on a large scale to the great advantage of growers. All interested in co-operation will be glad if greater activity could be developed in this direction.

You have referred with appreciation to the assistance and encouragement that you have received from Government and to the cordial relations that you have maintained with the co-operative department. May I assure you that Government have an abiding interest in the Bank and that in all the efforts that the management makes to improve and expand the activities of the Bank, it can count upon the sympathy and support of Government?

Looking back upon what you have been able to achieve during the last twenty-five years, you have every reason to be proud. 1063 Societies out of a total of 1891 have become members of your Bank. Reserve and other funds, to the extent of 3.31 lakhs, have been built up. Deposits have been attracted to the extent of nearly quarter of a crore of rupees. The working capital has increased to the extent of 34.90 lakhs. All this reflects great credit on the numerous public spirited gentlemen who have been associated with the working of the Bank. I wish the Bank all success and prosperity. May its business grow and its service to the primary societies increase! May it proudly fill for a very long time the responsible position that it occupies in the life of the State as the pivot of the co-operative movement in the State!

## **REHABILITATION OF THE CO-OPERATIVE MOVEMENT**

### **BIHAR GOVERNMENT'S SCHEME**

His Excellency the Governor and the Hon'ble Minister of Education, Development and Employment, speaking on behalf of Government at the Co-operative Federation Congress held at Patna on the 6th April 1938, declared the decision of Government to rehabilitate the Co-operative Movement as early as possible. In arriving at this decision Government had in view the importance of the Co-operative Movement in the rural economy of the province and its potentiality to provide cheap credit to the agriculturists on a large scale by utilising the surplus wealth of those who are willing to invest.

With a view to enable Government to judge the position of the Central Co-operative Banks, an intensive enquiry into the assets, liabilities and repaying capacities of members of co-operative societies was started in April, 1938. The enquiry has since been completed in 37 banks. Government also appointed a Co-operative Rehabilitation Committee, consisting of leading official and non-official co-operators of the province, to advise Government on all matters connected with rehabilitation. On the basis of the enquiries and in consultation with the Co-operative Rehabilitation Committee and the Hon'ble Mr. V. Ramadas Pantulu, a draft scheme of rehabilitation was prepared in the department.

The scheme was examined by the Congress Party in the Bihar Legislature. While endorsing the view that the co-operative movement should be rehabilitated and necessary financial assistance and support given to the Provincial Co-operative Bank, and for that purpose Government should assume such control of the Provincial Co-operative Bank as is necessary, they recommended that a Board of Experts should be appointed to assist Government in formulating the details of the scheme. On due consideration of the results of the enquiries, the recommendations of the Co-operative Rehabilitation Committee, the recommendations of the Congress Party in the Bihar Legislature and the report of the Board of Experts, Government are pleased to announce that they have decided to rehabilitate the movement and to lay down the following general policy :

**I. Extent of relief to members in respect of existing loans.**—The rate of interest on the outstanding loans of members should be reduced to 7 per cent as against the existing rates ranging from 9 to 15 per cent. The extent of indebtedness should be scaled down to what a member can be reasonably expected to pay in easy annual instalments over a period not exceeding 20 years. In agreement with the recommendations of the Co-operative Rehabilitation Committee, it has been decided that only those members whose repaying capacity is such as to enable them to pay at least the principal amount of the loan together with future interest at 7 per cent, over a maximum period of 20 years, should be retained. For this purpose the share capital of a retained member should be set off against his principal, leaving a nominal share of Re. 1. Those, who do not satisfy these conditions, or are otherwise uncreditworthy, should be eliminated. Provision has been made in the scheme for advancing small crop loans to retained members of reconstructed societies with a view to enable them to carry on their agricultural operations during



the period of repayment. Funds for future expansion on sound lines will also be provided.

**II. Scheme of Reconstruction.**—From the gross loss disclosed by the reconstructed balance sheet of a society, based on the data collected during the enquiry on the above principle and accepted by the Reconstruction Officer, all available owned resources of the society, other than the share capital as scaled down will be set off for the purpose of calculating the net loss to the financing bank. The owned resources other than the share capital of a central co-operative bank will also be similarly set off against the gross loss of a central co-operative bank for determining the net loss. It may also be necessary that the share capital of a deficit society should be deducted in calculating the net loss of the central bank after leaving the minimum of one paid up share for such society. In drawing up the reconstructed balance sheet, the assets and liabilities as they stood on the 1st of January, 1940, will be taken as the basis. The result of the enquiry into the banks shows that in most cases the gross liability, representing the total of share capital and borrowed capital, exceeds the net assets. The recoverable assets of a central co-operative bank may be broadly classified under two heads: (a) interest-bearing and (b) non-interest-bearing.

The interest-bearing assets of a central co-operative bank are derived mainly from the dues, estimated as recoverable, from retained members of reconstructed societies while the non-interest-bearing assets are based mainly on the dues, estimated as recoverable, from eliminated members, members of liquidated societies, lands held by societies and central banks, etc. There are, however, other interest bearing assets of central banks like loans to individuals, deposits in other banks, Government securities, shares, etc. The other non-interest-bearing assets include bank buildings in which the bank offices are accommodated, estimated value of stocks etc. As the estimated recoveries from eliminated members, members of liquidated societies, etc., amount in many cases to only a part of the principal dues; the assets represented by such estimated recoveries have been held to be largely non-interest-bearing during the period of recovery, which is not likely to exceed 5 years. The recovery of these non-interest-bearing assets will go to reduce the dues of the creditors.

**III. Central Co-operative Banks.**—The first essential is that the reconstructed balance-sheet should show the true state of affairs and that the net loss should be wiped off. The central co-operative banks and unions may be divided into three classes according to the incidence of loss:—

(A) Comparatively good banks in which the percentage of net deficit to gross liabilities is below 25 per cent.

(B) Banks in which the percentage of net deficit to gross liabilities is between 25 and 50 per cent.

(C) Bad banks in which the percentage of net deficit to gross liabilities is over 50 per cent.

The banks falling in groups (A) and (B) will ordinarily be reconstructed, those in group (C) being liquidated, but no bank even though included in class (A) or (B), will be reconstructed unless it is considered by Government otherwise suitable for reconstruction. If on due consideration of the position of a central bank, Government decide to reconstruct it, Government will give the following financial assistance;—

(1) **Contribution towards loss** (a) *Banks in Group (A).*—Where the reconstructed balance-sheet of a central bank discloses a loss equivalent to 25 per cent of the gross liabilities or less, the dues of its creditors will at once be reduced proportionately by a sum equal to 25 per cent of the gross liabilities or the actual amount of the disclosed loss whichever is less. The scaled down dues of the creditors will then carry future interest at 3 per cent in respect of principal only, except the portion that will be realised from non-interest bearing assets as explained in paragraph II. These banks will be those falling within class (A) and in their case Government will give no assistance towards meeting the disclosed loss.

(b) *Banks in Group (B).*—Where the reconstructed balance-sheet of a central bank discloses a loss in excess of 25 per cent but not exceeding 50 per cent of the gross liabilities, the proportionate loss of the Provincial Co-operative Bank will be written off in full, and the dues of the creditors other than the Provincial Co-operative Bank will be reduced by 25 per cent. Government will then agree to make a grant to cover the balance of the loss of the central bank, subject to the following conditions :

(i) An amount not exceeding 75 per cent of the grant to which a reconstructed central bank may be entitled will be paid as soon as Government's probable total commitment in respect of this grant is ascertained from local enquiries.

(ii) Subject to the conditions in (iii) and (iv) below, the balance will be paid after the non-interest-bearing assets have been collected and after Government have ascertained their actual total commitment in respect of this grant in all the reconstructed central banks.

(iii) The total grant to all rehabilitated central banks shall not exceed Rs. 12 lakhs, which excludes the share of the Provincial Co-operative Bank and is estimated to be the balance of the loss calculated at 15 per cent of the total gross liabilities of those reconstructed banks in which the percentage of the net loss to gross liabilities ranges from 25 to 50.

(iv) If the total Government contribution, calculated according to the conditions set forth above, is found to exceed Rs. 12 lakhs, payment to each central co-operative bank will be proportionately reduced and the balance of the deficit, if any, in the case of such central bank will be borne proportionately by all the creditors of the bank concerned.

(v) The balance of the scaled down dues of creditors, except the portion that will be realised from non-interest-bearing assets as explained in paragraph II, will bear future interest at 3 per cent in respect of principal only.

(vi) Any sum received by a central bank on this account will be utilised for payment to all the creditors, except the Provincial Co-operative Bank, on a *pro rata* basis.

(2) **Loans to central banks for part payment of creditors' dues.**—Government will advance to a reconstructed central bank, including a bank in class A, a loan not exceeding 50 per cent of the amount estimated as recoverable from retained members of reconstructed societies, subject to the following conditions:—

(i) (a) The loan will be paid through the Provincial Co-operative Bank and will be repayable within a maximum period of 20 years.

(b) Government will charge an interest of  $3\frac{1}{2}$  per cent to the Provincial Bank on the above loan and the Provincial Co-operative Bank will in its turn advance it to the reconstructed central bank at a rate of interest not exceeding 4 per cent.

(ii) In calculating the amount in respect of a reconstructed society, in which the amount due by the society to the Central bank is less than the estimated recovery from retained members of the same society, the amount of loan, based on the assets of such a society, shall be limited to 75 per cent of the amount which the society owes to the central bank or 50 per cent of the estimated recovery from retained members, whichever is less.

(iii) In the case of a central bank where the Provincial Co-operative Bank is one of the creditors, the proportionate share of the Provincial Co-operative Bank out of the loan will be deducted from the calculated amount for determining the amount to be actually advanced to the central bank.

(iv) The amount received by a central bank in respect of this loan will be utilised solely for the purpose of immediate repayment to all its creditors, other than the Provincial Co-operative Bank, on a *pro rata* basis.

(v) This loan will be fully secured on the assets against which it is advanced and shall constitute the first charge on these assets.

(3) **Funds for crop loans for members of reconstructed societies and for new societies.**—Government will take steps to provide, though the Provincial Co-operative Bank, Ltd., or otherwise, adequate funds at suitable interest to enable the reconstructed central banks to finance crop loans to members of reconstructed societies and of new societies organised on sound lines.

(4) **Management of reconstructed Central Banks.**—Government and the Provincial Co-operative Bank will maintain stricter supervision over the administration of the central co-operative banks. In the case of a reconstructed central bank where, in the opinion of Government, the management is not efficient and sound, a Committee of Management for such period as may be found necessary may be nominated by the Board of Directors of the Provincial Co-operative Bank with the approval of the Registrar. The appointment of the Manager of a reconstructed central bank will also be subject to the approval of the Provincial Co-operative Bank and the Registrar.

(5) **Annual subsidy.**—Economy and efficiency in management will be secured by amalgamation of reconstructed central banks as far as practicable. With the elimination of an appreciable number of members and with reduction in the margin between the lending and the borrowing rates, reconstructed central banks, even after amalgamation, may not be able to meet the cost of management out of their income for some years to come. An annual subsidy, equivalent to the difference between the cost of management according to a prescribed scale and the available annual recurring income will, therefore, be given to the reconstructed central banks for a period of five years.

(6) **Free Audit.**—Government also recognised that it will not be possible for the reconstructed primary societies and central banks to pay any audit fees for a number of years. The cost of audit will be met by Government for a period of five years and will have retrospective effect from the date of reconstruction, i.e., the 1st January 1940, on the acceptance of the scheme by a central bank declared to be fit for reconstruction. With the exception of village welfare societies and depressed class societies of a charitable nature, societies which are outside the scope of rehabilitation will not be exempted from audit charges.

(7) **Separate staff for collection of liquidated assets.**—In view of the gigantic volume of work connected with the disposal of lands, awards and liquidation, cases and collection from eliminated members and members of liquidated societies, Government will appoint a separate staff for the collection of liquidated assets. The cost of this staff will, in the first instance, be advanced by Government, but will be recouped from collection.

(8) **Good societies under bad banks.**—Immediate steps will be taken to liquidate all banks which are not fit for reconstruction. Arrangements will, however, be made as far as possible for saving their solvent societies and even individual members by attaching them to the neighbouring reconstructed central banks.

**IV. Provincial Co-operative Bank, Limited.**—Government will bear the losses of the Provincial Co-operative Bank in giving effect to the rehabilitation scheme and will give such other financial assistance and support as may be necessary. In view of the nature and extent of the financial responsibility involved, Government will assume necessary control over the Provincial Co-operative Bank at least for a number of years during the period of rehabilitation and appoint an experienced banker, to be called the Banking Adviser, who will work as the Managing Director and will be primarily responsible for advising Government on the banking side of the business. Before assumption of control of the Provincial Co-operative Bank by Government, a resolution will be passed by the Directors and shareholders of the bank placing the management under the control of Government. Government accept the recommendation of the Board of Experts that during the period of rehabilitation the management of the Provincial Co-operative Bank should be in the hands of a small interim Board of Directors consisting of a Chairman and six other members. The Chairman and Directors, other than the Banking Adviser, will be elected in accordance with the existing by-laws, after necessary amendment regarding the constitution of the Board, but their appointment will be subject to the approval of Government. With a view to enable the Banking Adviser to discharge his responsibilities, it will be open to him to refer matters, in which he may disagree with the majority of other directors to Government for orders, on the assumption by Government of the control of the Provincial Co-operative Bank.

(a) Notices may be issued to all the depositors reducing the rates of interest on deposits to rates considered suitable by Government, and the Provincial Co-operative Bank will repay in full to those depositors who do not wish to retain their deposits at the reduced rates;

(b) Government will guarantee to the Provincial Co-operative Bank a cash credit of a sum considered sufficient to ensure ability to repay deposits;

(c) Government will also guarantee a revolving cash credit of an amount, considered suitable for financing crop loans to retained members of societies of central banks and new business of such banks, as indicated in para III (3);

(d) the Provincial Co-operative Bank will continue to accept deposits but only at rates approved by Government and subject to such limits and rules as Government may prescribe from time to time.

**V. Fresh deposits in Central Banks.**—The reconstructed central co-operative banks may accept deposits but only with the previous permission of Government and the Provincial Co-operative Bank and subject to such rates, limits and other terms as may be prescribed by Government from time to time.

**VI. Completion of rehabilitation enquiries.**—As recommended by the Board of Experts, Government have taken steps to provide an adequate staff for completing the rehabilitation enquiries as early as possible.

**VII. Rules and instructions for the guidance of banks and societies.**—Detailed rules and instructions for giving effect to the rehabilitation scheme will be issued by the Registrar of Co-operative Societies for the guidance of co-operative banks and societies.

**VIII. Expenditure on the scheme.**—The expenditure on the scheme is estimated as below:—

- (1) Contribution towards loss of central banks of class B. Rs. 12 lakhs.
- (2) Loans to central banks for part payment of deposits, Rs. 14 lakhs.
- (3) For crop loans, Rs. 10 lakhs.
- (4) Subsidy towards cost of management of reconstructed central banks at Rs. 1 lakh a year for five years Rs. 5 lakhs.
- (5) Cost of free audit for five years, Rs. 5 lakhs.
- (6) Special staff for liquidation, Rs. 2 lakhs.
- (7) Banking Adviser for five years Rs. 1 lakh. Total Rs. 49 lakhs.

In addition to the above, Government will bear the loss of the Provincial Co-operative Bank which is estimated at Rs. 18 Lakhs. Separate provision will be made for meeting this loss as it is disclosed in the course of rehabilitation of central banks and unions.

## RECONSTRUCTION OF THE CO-OPERATIVE MOVEMENT IN BENGAL

It is an undeniable fact that during the last twelve years, the co-operative movement in this province, has been steadily going down. Whatever other reasons might be suggested it is beyond dispute that the agricultural credit movement on which co-operation is based in this country, built up during the last forty years, is in a state of collapse. "Loans have become frozen, the confidence of the creditors in the central banks has gone, the movement has been reduced to a humiliating position and the co-operators are despaired of its future"—a gloomy summary, but no honest man can challenge its truth.

The main assets of the Provincial Bank consist of its investments in central banks, the assets of the central bank consist of loans advanced to village societies and the assets of the societies consist of the loans due by the members. When the members of the village society stop repaying their debts to the society it means an inevitable dislocation in the normal business of the entire agriculture credit. And that is, what has happened.

As long ago as 1939 the Hon. Minister of Co-operation gave an assurance on the floor of the Bengal Legislative Assembly in the following strain—"The Government fully intend to support the co-operative movement in the province and will not allow it to fall into serious danger" and "the Government will also see that the cultivators obtain short term seasonal loans as and when required." As a result of this announcement, the Government advanced a loan of Rs. 13½ Lakhs to the Bengal Provincial Co-operative Bank in 1939-40 for supplying short term crop loan

to cultivators. Rs. 60 lakhs was sanctioned in 1940-41 and a provision of another Rs. 60 lakhs for this purpose has been assured for 1941-42. Moreover "for the reconstruction of the movement and the rehabilitation of the societies" a drastic Bill was made. Reference has been made elsewhere to this legislative measure and its effectiveness in easing the situation. We shall now see how far the short term crop loan has facilitated the movement.

In 1939-40 the Bengal Provincial Co-operative Bank advanced Rs. 20 lakhs, including the Government loan of Rs. 13·5 lakhs as short term crop loan to several central banks. This amount was invested in 10 thousand societies of which 6,500 societies were newly organised for this purpose. About 2 lakhs members received the loan, with an average of Rs. 10·5 per member. The entire loan was paid back within the stipulated time. In the year 1940-41 the Bengal Provincial Bank drew only Rs. 45 lakhs out of the sanctioned Rs. 60 lakhs. Apparently the Provincial Bank did not venture to invest more in the present state of the central banks. It may be assumed that this hesitation on the part of the Provincial Bank was due to the risk involved in advancing more loans to the central banks with their assets frozen. Furthermore the disbursement of the loan was not as prompt as in the previous year, due probably to the fact that the loan of Rs. 10·5 per member for cultivation purposes was not adequate to the actual requirements of the cultivators. It has been found that the margin between the borrowing and the lending rates of the Provincial Bank, the Central Banks and the societies is so low that it does not cover the cost of management and the obligatory charges these institutions have to meet. Again while the crop loan is realised old loans remain unpaid and the Movement is left exactly where it was. From the above facts, it does not appear that the policy of providing crop loan for "saving the Movement from serious danger" justified the optimism of the sponsors.

The solution of the problem, it has become brutally clear, calls for a thorough change in the outlook, and a clearly defined programme for the resuscitation of the primary societies. During the last twelve years when the condition of the Movement was becoming more and more precarious no serious attempt was made in this direction. The former Registrar drew up a scheme of rehabilitation of the societies but it is still in the archives of the Secretariat. No action has been taken on it nor have the Government taken any initiative in this matter. Meanwhile the non-official co-operators had been urging on the Government the importance of a definite decision on the reconstruction of the Movement. Several conferences were held and many deputations waited on the Government without setting the Government wheels in motion, while the Movement was on its way to a rapid decline. Tired of the static Government, the restive non-official co-operators were obliged to move for themselves. Their activity found expression in the meeting held in Calcutta on the 22nd and 23rd March last, under the presidentship of Mr. W. C. Wordsworth, Chairman of the Bengal Provincial Co-operative Bank.

Sometime ago a committee was appointed by the Bengal Provincial Co-operative Bank to suggest measures for surmounting the difficulties that were confronting the Provincial Bank and the Movement. Co-operators from all parts of the province assembled in the meeting and deliberated over the Report of the committee and chalked out a line of action, to be undertaken by them for facing the crisis. The programme is as follows:—

The Bengal Provincial Bank is to be the Federal Authority for guiding and controlling the finance and the working of the affiliated central banks and societies.

Rehabilitation of the societies will be taken up on the following lines:

(a) Old debts of the financing banks and societies are to be scaled down. For this purpose the paid up share capital, the reserve fund indicated in the balance sheet, and the interest remaining unpaid on 1st July 1938 will be deducted from the total debts due from the members to the primary society. Thereafter the share capital and reserve fund of the society invested in the central banks and also the interest remaining unpaid on 1st July, 1938, will be deducted from the total debts due to the central banks by the society. Finally the interest remaining unpaid to the Provincial Bank by the central banks on 1st July 1938, will be deducted from the total debts of the central banks to the Provincial Bank.

(b) Old debts of the individual members of primary societies are to be adjusted. The repaying capacity of the individual members of the society will be summarily assessed. The adjusted debt is to be recovered within a period not exceeding 15 years. The rate of interest on the adjusted debt shall not exceed 8 per cent.

(c) Collection is to be made primarily in kind, the produce is to be accepted at the market price on the day of collection and the produce is to be sold in the local market immediately after collection.

Collection thus made will be disbursed among creditors on an equitable basis. The Central Banks after adjusting their debts with the affiliated societies will liquify all readily realisable assets to pay their creditors. Mutual arrangement will be made with the creditors for repayment of only the realisable portion of the assets from the affiliated societies as adjusted by instalments. No interest on the adjusted dues will be paid to outside depositors. We propose to deal with the problem of repayment to depositors in our future issues.

For the Reconstruction of the Movement the following procedure is to be adopted :—

The supply of the entire rural credit of the province for seasonal agricultural operations will be the ultimate object of agricultural co-operation. With this end in view, a net work of societies for supplying crop loan to cultivators will be organised. Members of the existing old societies who will regularly pay instalments of the old adjusted debts will also get the benefit of such loan. It has been found that the income derived from the small investments in the form of short term crop loan for cultivation of major crops only, falls short of the expenditure involved to run the process. In the opinion of the committee if a central bank invest Rs. 3 lakhs in short term crop loan it can work with a balanced budget. But the present circumstances do not offer such prospects. So central banks operating on small areas shall have to be amalgamated and short term loans shall have to be advanced for raising all kind of crops throughout the year, rather than for raising the major crops in one season only, as is being done now.

The central banks may increase their income by undertaking business with non-members by advancing loan against gold, silver and negotiable securities. They may also undertake general banking business such as discounting bills, cheques, collection of insurance premium and by the issuing of Hundis.

Expansion of business of the Bengal Provincial Co-operative Bank will be in the following direction:

Besides financing the Central banks with short term loans the Provincial Bank will augment its income along the lines indicated for the central banks. Marketing and Multipurpose societies will be organised and financed by the Provincial Bank.

No doubt a very large amount of capital will be necessary to undertake such enterprise. When the major portion of the capital of the Provincial Bank is locked up in the central banks and there is very little chance of its full recovery in the immediate future, the Provincial Bank will have to depend to a large extent on the Government, for some time, for carrying on its short-term loan business. For financing other items of business attempts must be made to pool the surplus money still available within the movement. It is estimated that even now about a crore of rupees is lying idle in the co-operative societies particularly with the urban banks. Deposits from the investing public have to be attracted by intensive propaganda. Loans may also be secured from Joint Stock Banks on the guarantee of the Provincial Bank and against the security of stock of the marketing societies.

It is gratifying that just after the conference the Hon. Minister of Co-operation met the directors of the Rengal Provincial Co-operative Bank and discussed the present situation with them. We are still in the dark about the tangible result of this discussion, but it must be noted that the continuance of the deadlock in the Movement is not only causing deep concern in the country but a sense of frustration among the non-official co-operators. The present undesirable situation should not be allowed to stay. To make the reconstruction effective, something more assuring than assurances must come from the Government and the drastic Co-operative Act, in our opinion, is not at all a measure, calculated to produce the desired result. The rehabilitation of the societies and the reconstruction of the Movement being the ultimate end in view, it would be wise to call in the aid of the best talents and of non-official endeavour. A definite scheme has been chalked out by the co-operators themselves, and it is up to the Government to examine the scheme critically and adopt from it whatever suggestions help the Movement.

—*The Bengal Co-operative Journal*, Jan.—March, 1941.

### CO-OPERATIVE MOVEMENT IN ORISSA

The following is the summary of a Press Communique regarding financing of primary societies in Orissa, which were financed by the Bihar and Orissa Provincial Co-operative Bank, Ltd., until the assets and liabilities of that Bank were divided between Bihar and Orissa, on the formation of the Orissa Province.

In their communique issued in June last year regarding the rehabilitation of the Co-operative Credit Movement, the Orissa Government declared their intention to establish a Provincial Co-operative Bank to be financed by the Government either directly or by guaranteeing loans from an outside source. The Government have now examined the possibilities of establishing a bank and have come to the conclusion that the present circumstances are not suitable for its inception. They realise, however, the importance of putting fresh finance into the co-operative societies so that the needs can be adequately met. They have accordingly decided to implement the decision for the rehabilitation of the movement by financing the primary societies and central banks directly and to postpone the starting of a Provincial Bank until more favourable conditions prevail. The primary societies in the areas served by solvent central banks will continue to be financed through those banks while those situated in other areas will be financed direct by the Government. For this purpose a provision of Rs. 1,50,000 has been made in the budget estimate



of 1941-42 and the financing will commence as soon as suitable rules, which are now under examination, have been framed.

The Government have also decided that the rates of interest payable to the members should be raised to 8 per cent on loans not overdue and 1 per cent more on overdue loans. These rates will be applicable to all loans outstanding on July 1, 1941, or to be issued after that date.

—*The Hindu*, 14—6—1941.

## THE RESERVE BANK OF INDIA

### EXTENSION OF REMITTANCE FACILITIES TO PROVINCIAL CO-OPERATIVE BANKS

Under the new scheme of remittance facilities in India and Burma introduced by the Reserve Bank of India from the 1st of October 1940 with the concurrence of the Central and the Provincial Governments, the following rates have been prescribed for co-operative banks and societies (including the provincial co-operative banks) for telegraphic transfers, drafts and mail transfers between places where the Reserve Bank has an office, branch or an agency:—

- (a) Upto Rs. 5,000  $1\frac{1}{16}\%$  (minimum Rs. 0-4-0 for drafts and mail transfers and Re. 1 for telegraphic transfers).
- (b) Over Rs. 5,000  $1\frac{1}{32}\%$  (minimum Rs. 3-2-0).

Actual telegram charges are charged in addition.

For the purpose of remittance facilities, all treasuries and sub-treasuries in India with currency chest facilities, at places where the Reserve Bank is not represented, are regarded as the Treasury Agencies of the Reserve Bank for the issue and payment of telegraphic transfers and drafts.

2. It is proposed to extend the remittance facilities at present available to the co-operative movement and to that end it has been decided to extend to the provincial co-operative banks certain additional remittance facilities which will place them more or less on the same footing as the scheduled banks for the purpose of remittances. These facilities, however, will be extended only to such provincial co-operative banks as agree to the conditions laid down by the Reserve Bank in this behalf. The details of the facilities which it is proposed to extend and the conditions on which they will be extended have been set out later in this memorandum.

3. In order to clarify the scope of the concessions which we propose to extend to the provincial co-operative banks, it seems desirable, in the first instance; to set out the facilities which have been given to the scheduled banks under the new scheme. Appendix II of the scheme provides the following facilities to the scheduled banks:

A scheduled bank is entitled to remit money by mail or telegraphic transfers between the accounts kept by its offices, branches, sub-offices and pay offices at an office, branch or agency of the Reserve Bank in British India as follows:

- (a) An amount of Rs. 10,000 or a multiple thereof between its accounts at the offices and branches of the Reserve Bank, free of charge;

(b) Once a week an amount of Rs. 5,000 or a multiple thereof to the principal account which it maintains with the Reserve Bank, from any place at which it has an office, branch; sub-office; or pay office and at which there is an agency of the Reserve Bank, free of charge. The term "Principal account" means the accounts maintained with the Reserve Bank by the principal office of a scheduled bank as defined under the Scheduled Banks Regulations:

(c) Other remittances to its principal account subject to a charge of 1/64 per cent. and also subject to a minimum charge of Re. 1;

(d) Other remittances between accounts maintained at the Reserve Bank or its agencies:

Upto Rs. 5,000 1/16% (minimum Re. 1).

Rs. 5,000 and over 1/32% (minimum Rs. 3-2-0).

(e) Telegraphic transfers and drafts:

In favour of third parties:

Upto Rs. 5,000 1/16% (minimum Re. 1).

Over Rs. 5,000 1/32% (minimum Rs. 3-2-0)

(Actual telegram charges to be charged in addition)

It will be seen that facilities mentioned in sub-paras (d) and (e) above are already available to the provincial co-operative banks so that the special facilities enjoyed by the scheduled banks are only those stated in sub-paras (a), (b) and (c). These special facilities, however, are available to the scheduled banks only for remittances between accounts maintained by the scheduled banks with the branches of the Reserve Bank or the Imperial Bank. This is due to the fact that the treasuries, though they are the agencies of the Reserve Bank for purposes of remittances, do not open accounts for banks and the above facilities are not therefore available at the treasuries. It should be further noted that before the above facilities can be utilised, the scheduled bank concerned should not only have accounts with the Reserve Bank or the Imperial Bank at both the remitting and the receiving centres, but should also have its own offices or branches at such centres.

4. The actual facilities which we propose to extend to the Provincial Co-operative banks are as follows:

While these banks will not be entitled to free remittances between offices of the Reserve Bank as mentioned in sub-para (a) of para 3 above, (since this concession is not necessary for their *bona fide* co-operative business) they will be entitled to the concessions mentioned in sub-paragraphs (b) and (c). This means that in addition to the facilities already available, a provincial co-operative bank will, from the date from which this scheme comes into force, be entitled to remit money by mail or telegraphic transfers between the accounts kept by its offices, or branches, at an office or branch of the Reserve Bank or the Imperial Bank as follows:

(i) once a week an amount of Rs. 5,000 or a multiple thereof to the principal account which it maintains with the Reserve Bank from any place where it has an office or a branch and at which there is an office, branch or agency of the Reserve Bank free of charge:

(ii) other remittances to the principal account will be charged at 1/64 per cent. subject to minimum charge of Re. 1.

(Actual telegram charges to be charged in addition).

For the purpose of the above two concessions the Reserve Bank will treat the co-operative central banks which are affiliated to the provincial co-operative bank as branches of the latter. The principal account of a provincial co-operative bank will be the account maintained by the head office of the bank at the local office or branch of the Reserve Bank.

5. A provincial co-operative bank desiring to avail itself of the above facilities will have to agree to the following conditions:

(i) It should undertake to maintain with the Reserve Bank a balance the amount of which shall not, at the close of business on any day, be less than  $2\frac{1}{2}$  per cent of its demand liabilities and 1% of its time liabilities as shown by the return referred to in (ii) below;

(ii) It should send to the Reserve Bank at the close of business on each Friday, or if Friday is a public holiday under the Negotiable Instruments Act, at the close of business on the preceding working day, a return of its position in the form prescribed in Section 42(2) of the Reserve Bank Act and signed by two of its responsible officers; such return shall be sent not later than two working days after the date to which it relates;

(iii) If at the close of business on any day before the day fixed for the next return, the balance held at the Bank by any provincial co-operative bank falls below the minimum indicated in (i), the provincial bank should pay to the Reserve Bank in respect of such day penal interest at a rate of 3 per cent. above the bank rate (with a minimum of Rs. 10) on the amount by which the balance with the Reserve Bank falls short of the required minimum and if on the day fixed for the next return such balance is still below the prescribed minimum as disclosed by the return, the rate of penal interest shall be increased to a rate of 5 per cent. above the bank rate in respect of that day and each subsequent day for which the default continues. If any provincial bank however wilfully defaults in the maintenance of the minimum balances for periods exceeding two weeks or fails to send the returns referred to in (ii) above the remittance facilities would be withdrawn from the bank concerned.

(iv) The provincial co-operative bank and the central banks affiliated to it should prepare their balance sheets in the form suggested by the Reserve Bank and append thereto the certificate of the auditors and also supply half-yearly statements of their operations in the form prescribed.

(v) If any of the Provincial co-operative banks or affiliated central banks enjoying the above facilities works on lines not approved by the Reserve Bank, the above facilities would be withdrawn from it in consultation with the Registrar.

(vi) It is presumed that the above facilities will be used only for *bonafide* co-operative purpose. While no declaration will be required from the co-operative banks in the case of each remittance that it is intended strictly for co-operative purposes the above facility is likely to be withdrawn from any bank utilizing it for purposes other than co-operative.

6. It is proposed to bring the above scheme into effect from the 1st May 1941. This arrangement will be in force for a period of 3 years in the first instance after which it will be reviewed in the light of the experience gained. This scheme applies only to such provincial co-operative banks as have their head offices in places where there are offices or branches of the Reserve Bank.

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**REPRESENTATION OF THE BOMBAY PROVINCIAL CO-OPERATIVE BANK  
TO THE RESERVE BANK OF INDIA, ON THE REVISED SCHEME OF  
REMITTANCE FACILITIES**

At the outset, I am directed to state that the Board are gratified to find from the concluding portion of paragraph 4 of the scheme that for the purpose of the two concessions that are proposed to be extended to co-operative banks, the Reserve Bank desires to treat the Central Co-operative Banks, which are affiliated to the Provincial Co-operative Bank, as its branches. The Board appreciate the recognition by the Reserve Bank of the fact that the financial structure of the co-operative banks is so devised that the various constituents such as the Central and Apex Banks are closely interdependent.

Next, the Board wish to observe that, although in paragraph 2 of the note it is stated that the Reserve Bank of India proposes "to extend to the provincial co-operative banks certain additional remittance facilities which will place them more or less on the same footing as the scheduled banks for the purpose of remittances," from the subsequent paragraph it is clear that some of the facilities which are enjoyed by scheduled banks are not to be made available to provincial co-operative banks and that such limited facilities as are to be allowed will be dependent upon certain conditions which do not apply to scheduled banks.

The Board of Directors note that, in the first place, the free transfer of funds upto an amount of Rs. 10,000 or the multiple between the accounts of a bank at the offices and branches of the Reserve Bank, free of charge, will not be granted to co-operative banks on the ground that this facility is not required for the purpose of their *bona-fide* co-operative business. If the concession is allowed to scheduled banks for all business that they can do under their articles of association, the Board do not see why it should be denied to co-operative banks which may be undertaking business that is permissible according to the Co-operative Societies Act, Rules and Bye-laws. If, however, inter-provincial arrangements cannot be made because a provincial co-operative bank has no office, branch, sub-office or pay-office at centres outside the province which it serves, the question assumes another aspect. The Board of Directors propose to take up this question, however, separately at a later stage.

The Board note that the enjoyment of these special terms by scheduled banks is unconditional. In respect of co-operative banks, however, three conditions are proposed to be introduced which in the opinion of the Board of Directors of this Bank, do not appear justifiable:—

(a) Under condition No. (v), it is suggested that if any provincial bank or affiliated central bank enjoying the facility works on lines not approved by the Reserve Bank, the above facility would be withdrawn from it in consultation with the Registrar. So long as co-operative banks conduct their operations in accordance with their bye-laws and as permitted by the Act and Rules, the Board do not understand why the Reserve Bank should further control the manner in which they should conduct their operations. Naturally, if those operations transgress the law and principles of co-operation, it will be open to the Co-operative Departments and Provincial Governments to take suitable action in the matter. The Board agree that in case action is taken by the Provincial Government or by the Registrar to curb undesirable tendencies in the working

of a co-operative central bank, the authorities of the Reserve Bank may, in consultation with the Registrar withdraw the special facility for remittance of funds now proposed to be granted.

(b) Similarly, although it may be useful for co-operative banks to have a uniform form for balance-sheets and audit certificates, the Board fail to see why the Reserve Bank of India should use the medium of granting or withdrawing remittance facilities in order to compel co-operative banks to adopt a particular form prescribed by it, as is proposed under condition No. (iv). I am desired by the Board to inform you that they have already communicated to the Reserve Bank of India their views on the standard form of balance-sheet which was circulated with Circular Letter No. 945/60-40 of the 6th December from the Agricultural Credit Department. The form accompanying the Circular was discussed by the Bombay Co-operative Banks' Association and certain suggestions have been offered which are contained in the Association's letter No. CBA. 2/570 of the 27th December, addressed to the Officer-In-Charge of the Agricultural Credit Department. Further correspondence has ensued with the Registrar of Co-operative Societies on this subject. The Registrar has agreed with the modifications in the balance-sheet suggested by the Banks' Association and has desired that Association to issue a circular on the subject. In view of this, the Board requests that the form of balance-sheet that may be prescribed may be the same as the modified form approved of by the Registrar of Co-operative Societies. Similarly, the form of audit certificate also may be not different from the form that may be prescribed under the Bombay Co-operative Societies Act or the Rules thereunder.

(c) The third condition which, in the opinion of the Board is unacceptable relates to the restriction of the facility only to remittances for co-operative purposes. It may be proper to expect that co-operative banks will not conduct business which may compete with the business of scheduled banks in case these banks seek to extend their operations with the assistance of special concessions which are not enjoyed by scheduled banks. But when the concessions or facilities that are allowed to provincial co-operative banks are to be merely those enjoyed by scheduled banks, it seems, in the opinion of my Board, unreasonable for the Reserve Bank of India to lay down that the enjoyment of the same facilities as are allowed to any and every scheduled bank will be withdrawn from co-operative banks should they use the facilities for what may not be deemed *bona-fide* co-operative business. The term "*bona-fide* co-operative business" is not defined and is liable to different interpretations. Apart from that, it is to be emphasised that in all countries where co-operative banking has developed, co-operative banks freely undertake all banking operations subject to their own constitutions and the law governing them. The Board, therefore, urge that co-operative banks, now that they are not to enjoy any special facilities in the matter of remittances beyond what are enjoyed by scheduled banks, should be left free to conduct ordinary banking operations subject to the Act, Rules and byelaws and should be allowed to use the remittance facilities granted to scheduled banks on the same terms on which scheduled banks enjoy these facilities. The Board wish me to point out that banking operations of the type of drawing, accepting, endorsing, buying and selling, and negotiating of inland bills of exchange and other negotiable instruments, have been permitted, and even encouraged, by the Government of Bombay to be conducted by co-operative banks with their members with the intention of promoting the development of the banking habit in

rural areas and in small centres of trade and industry. Similarly, Government have also permitted and encouraged co-operative banks to grant advances against agricultural produce or against agricultural requisites such as manure, fertilisers and implements. A rigid interpretation of the term "co-operative business" may exclude such operations which can legitimately be undertaken by co-operative central banks and branches of Provincial Bank in this province. The Board of Directors, therefore, request that condition No. (vi) may be deleted, but if any undesirable tendency is noticed in any institution, suitable action may be taken by the Registrar or the Provincial Government on their own initiative or at the instance of the Reserve Bank of India, as mentioned in paragraph 5(a) above.

It may be argued that provincial co-operative banks are being called upon under the scheme to maintain balances with the Reserve Bank of India on a scale which is half that prescribed for scheduled banks. The Board would like to point out that under the Reserve Bank of India Act, provincial co-operative banks are specifically exempted from the requirements of maintaining any balances at all with the Reserve Bank of India. They, therefore, feel that the provincial banks ought not to be called upon to maintain the aforesaid balances with the Reserve Bank of India in return for the remittance facilities which are offered. The Board would also like to repeat that the remittance facilities offered to provincial co-operative banks are not on a par with those offered to the scheduled banks. In view, however, of the broader aspects of the matter and with a view to bring the co-operative movement in line with the banking structure of the country, the Board of my Bank are prepared to arrange for the maintenance of minimum balances with the Reserve Bank of India on the scale prescribed in paragraph 5(i) of the note, if the modifications proposed by my Board are accepted. I am desired by the Board, however, to make it clear that the minimum balances to be maintained will be on the basis of the time and demand liabilities of the Provincial Bank only and will have no reference to the time and demand liabilities of the affiliated central banks. The Bank has also no objection to the acceptance of the other conditions, namely 5(ii) and 5(iii) regarding the furnishing of information and the enforcement of penalties in the event of default.

I shall be glad to hear whether the modifications suggested by my Board are acceptable to the Reserve Bank of India. On hearing from you that they are, I shall proceed to deposit the minimum balances required and to inform you of the names of such central banks affiliated to the Provincial Bank as are willing to join in this scheme of remittances facilities.

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## THE INDIAN RESERVE BANK AND THE CO-OPERATIVE CREDIT MOVEMENT

### Withdrawal of the right of free transfer of funds.

A recent decision of the Indian Reserve Bank, effective from 1st October, 1940, to withdraw the special remittance facilities from the Co-operative Banks is not only of considerable material significance for the Movement, but it involves also an important question of principle.

The Indian Provincial and Central Banks have enjoyed the right of free remittance of funds by mail or by telegraphic transfers since the inauguration

of the Movement in 1904. Under these arrangements it was possible to effect savings in costs of some importance to such credit units as the relatively small Central Banks. It is estimated that the average annual amount transferred in this way during 1937-40 was Rs. 12,576,295 for the Co-operative Central Banks and Rs. 10,618,559 for the Provincial Banks. From 1st October, 1940, the Co-operative Banks will have to pay 1/16 per cent for all remittances up to Rs. 5,000 and 1/32 per cent for amounts over Rs. 5,000, in addition to actual telegram charges. Co-operative Banks are thus treated as private "indigenous" bankers.

The facilities of free transfer were originally granted to the Co-operative Societies in recognition of their special social functions. When more than ten years ago these facilities were, to some extent, restricted, this was not applied to funds required for genuine co-operative purposes. The importance of free transfer for the Co-operative Movement, and especially for its agricultural side, was emphasised by the Indian Central Banking Enquiry Committee. The same point was reiterated in the Statutory Report of the Reserve Bank, published in 1938, which laid stress upon the point that, with the reform of Indian provincial finances, the whole costs of free transfer were borne by the Central Government, and that some readaptation of this policy to new conditions was required. The present restrictions apparently follow these suggestions.

The main reason which guided the authorities was that funds transmitted under conditions of free transfer were used not only for financing inter-co-operative transactions, but also for ordinary banking business. This is admitted by the Co-operative Banks themselves but, at the same time they suggest that the authorities have left out of account the sacrifices which the Co-operative Movement made in order to conform to the conditions of the Reserve Bank by limiting considerably the scope of their activities in both the rural and urban areas.

The refusal of the authorities to recognise the peculiar structure of co-operative enterprise aroused strong protests amongst the various sections of the Movement. In this they find support in the recently published Report on Co-operation of the Committee appointed by the Government of Madras which recommended that:—

"In view of the general reduction in the lending rates of Co-operative Organisations and low margins on which they are working, the existing concessions of free remittance of funds for *bona-fide* co-operative transactions should be continued by the Government, and non-co-operative transactions may be charged at the same rates as those charged to scheduled Banks."

The Movement demands now either the restoration of the old privileges or the removal of the various restrictions of development of co-operative banking which were originally imposed to prevent the misuse of the privilege of free transfer of funds.

It seems to us, however, that the former alternative is of greater theoretical and practical importance, and that the restoration of the right of free transfer would prove of more assistance to the Credit Movement than the removal of certain restrictions, the origin of which lies not only in the relationship between the co-operative and joint-stock banks but, to a greater extent, in the nature of operations in which Co-operative Banks are engaged, i.e., promotion of agricultural credit.

## EXTRACTS

### THE BENGAL CO-OPERATIVE SOCIETIES BILL AND AFTER

Considerable public interest was roused during the passage of the Bengal Co-operative Societies Bill, 1938, through the Bengal legislatures. In certain quarters, the Bengal Co-operative Alliance was accused of not properly voicing the nonofficial opinion on the Bengal Co-operative Societies Bill. As a matter of fact, the Bengal Co-operative Alliance was not inactive during the deliberations over the Bill in the legislatures. It critically examined the provisions of the Bill and invited opinion from all Central and Urban societies and placed them before the Select Committee. The Alliance again commented on the report of the Select Committee and submitted it to the Government. In view of the alertness displayed by the Alliance, it seems uncharitable to hold, that the Alliance remained idle. The Bill has been passed after heated debate by the Bengal Legislative Assembly in December last. A special officer has since been appointed to draft Rules under the Bill. We understand that the framing of the Rules are nearing completion and will soon be gazetted for eliciting public opinion. The Bengal Co-operative Alliance has, in the meantime, invited suggestions from all Central and Urban societies so that the Co-operative societies may enjoy some measure of alleviation from the stringent measures that have found place in the Bill.

The chief argument put forward by the sponsors of the Bill is that the set-back in the movement has been due to lack of adequate powers of the Department to effectively deal with the maladministration of the societies. It was therefore argued that drastic legislative measures, vesting larger and more rigid powers of control in the Registrar was needed for the reconstruction of the movement and rehabilitation of the societies.

While some form of check is no doubt necessary for removing corruption from the societies, it is preposterous to assume that the rehabilitation of the societies can be effected by stringent legislative measures. The Burma Co-operative Societies Act which was enacted as early as 1927 could not save the movement from collapse. The Behar Co-operative Societies Act of 1935, inspite of its very stringent provisions, has not effected the expected panacea for the evils. Can we expect the Bengal Co-operative Societies Bill 1938 to work incredible wonders?

This Bill will make the Registrar the virtual Dictator of the Movement and such a condition will on the one hand scare away the non-official element, which is the backbone of the movement and on the other, as the Hon. Mr. Pantulu has very rightly remarked in the last July—September issue of the *Indian Co-operative Review*, make "administrative interference in the internal management of co-operative societies in Bengal," "a matter of everyday occurrence."

Co-operation, as its very name implies, is not handed down to the people from above. Where it has been so applied, it has proved a failure. But the "top-down" policy is the steel frame of the Bengal Co-operative Societies Bill. While the Department have been advocating for more powers to run the show, the non-officials have been urging on the relaxation of the existing control, in order to do away



with the official tutelage, for making the movement democratic. But the Bengal Co-operative Societies Bill has turned the table in favour of the official cry. We think, however, there is yet time to mend the situation. What has been undone by the Bill can be done by the Rules. The Rules can be framed in such a way as to make the obnoxious features of the Bill, less harmful and to pave the way to co-ordinate nonofficial enterprise with the movement. Unless the movement develops from within and the nonofficials can readily participate in its working with confidence, we are afraid, no amount of legislative measures will be able to revive the co-operative movement and make it worth its while in this country.

—*The Bengal Co-operative Journal*, Jan.—March, 1941.

### NEW INDIAN REPORT ON CO-OPERATION

The Committee on Co-operation, appointed by the Madras Government in 1938, has now submitted its Report giving a comprehensive survey of the development of the Co-operative Movement in the Presidency since the enquiry of 1928 by the so-called Townsend Committee, and the MacLagan Report of 1915.

The Committee worked in close co-operation with the Government, which drew up a basic questionnaire and collected most of the fundamental data on a large variety of problems, which, however, did not cover the 'Consumers' Movement in urban areas nor the building societies in both rural and urban districts. The Credit Societies seem to have monopolised the attention of the Committee. The historical discourse which deals with the progress of the Movement since the enactments of the Co-operative Societies' Act of 1904 contains, however, some reference to the Consumers' Movement in towns. On the whole, the Report is concerned primarily with the rural aspects of co-operative development in India, and seems to overlook the industrialisation of certain parts of the country, stimulating the growth of Stores' Societies, and its implications for the Agricultural Movement by creating in the towns a co-operative market for the output of the peasantry.

The rehabilitation of the Agricultural Credit Movement is the central point of the Report. Its most interesting recommendation is that these Societies should be reorganised on a limited liability basis, which is opposed to the view of the Government of India that unlimited liability is the most suitable form for Rural Credit Societies. Practice has, however, shown that the main advantages of the principle of unlimited liability, such as mutual trust and mutual supervision, have been outweighed by the difficulties of mobilising the necessary working capital and of creating credit units sufficiently large to cover the costs of operation.

Two other recommendations in connection with the Credit Societies are of interest; firstly, the suggestion that supervising unions should be set up in new districts only at the discretion of the Central Banks; and, secondly, that the latter should have no individual shareholders. It is true that practice has not shown the Supervising Unions to be capable of exercising effective control over the finances and management of Primary Societies, but the principle was undoubtedly a sound one. This recommendation, combined with the elimination of individual shareholding which often provided the most efficient and gifted elements of the directorate, must increase the responsibility of the representatives of the Primary Societies for the management of the affairs of the Central Banks. From the point of view of co-operative principle, it is a welcome recommenda-

tion, but there seems to exist no unanimity amongst Indian co-operators as to its practical value.

The Report deals also in a comprehensive manner with the causes of rural indebtedness and measures of debt relief, with the position of land mortgage banks in Madras, with the Marketing Societies, and with the urban banks. Some of the recommendations of the Committee will require careful study, and most of them will, for a considerable time, occupy the mind of Indian Co-operators.

—*Review of International Co-operation, Feb., 1941.*

## CO-OPERATIVE NEWS AND NOTES

Mr. Vaino Tanner, President of the International Co-operative Alliance, celebrated his sixtieth birthday on the 12th March 1941. It was in 1927, at the twelfth International Co-operative Congress at Stockholm, that Mr. Tanner, who was then Prime Minister of Finland, was elected President of the Alliance. We convey our congratulations and good wishes to the worthy President.

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The Government of Mysore have passed orders constituting a Committee, consisting of officials and non-officials to re-examine the question of resuscitating the handloom industry in the States with special reference to the marketing of goods produced by the weavers. The Registrar of Co-operative Societies in Mysore will be the Chairman of the Committee and the Secretary of the Board of Industries and Commerce will be the Secretary. The Committee may consider the measures organised by the British Indian Provinces and advise the Government about the organisation best suited to meet the needs of the industry.

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The Government of Madras have recently passed orders allowing such Central Banks as obtain the general approval of the Registrar of Co-operative Societies for the purpose, to borrow up to twelve times their owned capital (as against the usual ten times) provided they utilise the additional borrowing power exclusively to give loans to Loan and Sale Societies on the following conditions: (1) The Registrar should be satisfied as to the financial position and management of Central Banks and Loan and Sale Societies; (2) Produce should be properly stored and insured and subject to inspection by Central Banks; (3) Loans should be secured on produce in the possession of societies hypothecated to Central Banks with joint custody; and (4) The approval of the Registrar for the enhanced borrowing power may be withdrawn at three months' notice, if he finds that the circumstances of the Bank or the purposes for which this enhanced power is being utilised do not justify its continuance. The Registrar should see that this enhanced borrowing power does not result in an undue expansion of the banks' other business, as the enabling provision is intended to make more funds available for loans to Loans and Sale Societies and not for other purposes.

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The Government of Bengal have decided to launch a scheme for testing the commercial possibilities of hand-made paper as a small scale industry. The scheme will take three years to complete—the first year to organise and standardize commercial production and sale and settle down to normal working conditions, second year to produce one full year's normal trading results and the third year to confirm the second year's results. The scheme is expected to cost an ultimate expenditure of about Rs. 9,000 spread over three years.

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Debt Conciliation Boards in Assam had a successful year in 1940 according to the official review of the Government. 8,772 cases were filed in all the Boards involving an amount of Rs. 34·82 lakhs as against 3,595 cases involving Rs. 12·47 lakhs in the previous year. The number of cases settled under Section 12(1) during 1940 was 1,526 involving Rs. 8·21 lakhs which was reduced to Rs. 3·41 lakhs repayable in certain instalments as against 1,107 cases for Rs. 3·23 lakhs reduced to Rs. 2·35 lakhs in 1939. The Government have established seven more Boards during the year.

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The Government of H. H. Maharajah of Holkar have sanctioned the establishment of a Debt Conciliation Board at Indore under the Chairmanship of Mumtazim Bahadur G. V. Chitalle, B.A., LL.B., Retired Additional District Sessions Judge as the Chairman and two other leading gentlemen of Indore as members.

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A recent amendment to the rules under the Madras Co-operative Societies Act lays down that "in a financing bank with shares and limited liability not less than one third of the net profits shall be carried to the Reserve Fund until the total of the Reserve Fund and the other reserves of the Bank equals the paid up share capital of the members held by it, and thereafter not less than one quarter of the net profits shall be so carried."

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A conference of co-operative officers in United Provinces recently discussed the question of meeting the demands made by the Government of India's Supply Department on co-operative societies for the supply of war materials. It was decided to furnish the societies with lists of the latest requirements of the Supply Department from time to time. Another important decision related to introducing the Red Cross work amongst the women's co-operative societies. Details with regard to the training of such members in *newar* weaving as would like to take up this work were also discussed.

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The Government of Madras approved the recommendations of the Registrar of Co-operative Societies to the effect that co-operative societies may purchase radio sets from their Common Good Fund; that co-operative bodies like the Madras Provincial Co-operative Union and the Language Federations may, if their general funds permit, purchase radio sets and that Central Banks may, in addition to their main function of financing their affiliated societies, devote more attention to propaganda by using their general funds for purchasing radio sets to be kept at important rural centres, where supervising unions and big village credit societies are working, and that urban banks and big rural credit societies may also purchase and maintain radio sets from their general funds after amending their by-laws suitably.

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The following message of fraternal greetings has been cabled by the Hon'ble Mr. V. Ramadas Pantulu, President, All-India Co-operative Institutes' Association to the *Co-operative News*, Manchester, on the occasion of the International Co-operators' Day:—

*"India stands behind the British co-operators efforts defeating aggression, defending liberty, democracy, ensuring social justice. Congratulates them on admirable sacrifice and enterprise."*

# THE INDIAN CO-OPERATIVE REVIEW

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## EDITORIAL NOTES

### WAR AND CO-OPERATIVE MOVEMENT IN NAZI LANDS AND IN DEMOCRACIES

No one in India wishes success to Hitler, for our people not only know enough about the fate of the once free and prosperous countries of Europe, which now lie prostrate crushed under the iron heel of the ruthless aggressor, but also have some idea of the German Fuehrer's political aims and social theories, as well as his plan of the post-war new World Order. The average citizen in India shudders at the thought of his country ever passing into the sphere of that order. But, is the average co-operator in India equally familiar with the plight of the co-operatives in the Nazi countries or has he any conception of the fate that is likely to overtake the co-operative movement in India under German domination, if it ever comes? It is time we know that the Germany, the country of Raiffeisen, from which India received the inspiring message of co-operation as an instrument for the economic organisation of its poor and indebted masses, has now an entirely contrary doctrine to preach to the world, namely that co-operation is the enemy of the artisan, worker and trader. That doctrine was thus authoritatively propounded by Dr. Ley, the leader of the German Labour Front: "Undoubtedly the co-operatives represented collective economy which we, National Socialists, do not approve of.... Further more without any valid justification they are able to compete unfairly with the small artisan and trader who are, therefore, their sworn enemies.... To let them continue meant undeniable political danger, for their ten million members are all enemies of National Socialism and elements of the centre party (Catholics) and Marxists"<sup>1</sup>. In order to implement this idea Hitler's Minister for National Economy recently issued a decree transferring all the properties and funds of the consumer's co-opera-

1. Bulletin of the International Labour Office—Co-operative Information—April, 1941.

tive societies to the Labour Front and directing that the centres of distribution should be converted into model retail shops and turned over to private ownership. As the distributing branches are to be eventually given to men who are fighting in the front, the completion of the process of the change over to private ownership will however take place only after the war. The leader of the Labour Front, Dr. Ley, claims with satisfaction that "the movement thereby loses its co-operative character and its shops are open to everybody. The factories and shops of the movement will be made into model concerns.... Whoever wants to become a capable businessman will be given a shop by the Bank of the German Labour Front. He will be financed by the bank and thus be given a chance to become an independent man." The Rochdale Pioneers must be turning in their graves when they hear of this outrage on the system founded by them about a century ago, on principles of social and economic justice, admired, approved and increasingly applied all over the civilised world. Commenting on this new Nazi doctrine the *Review of International Co-operation* says "The complete perversion of the purposes of the consumers' societies is revealed in the statement that the stores and the factories which are to become model shops and workshops will be a means of serving the trader and the artisan."<sup>2</sup>

Let us now turn for a while from this hideous spectacle of co-operation in war-mad Germany to the attractive picture of co-operation which the Democracies, that are involved in a life and death struggle against the evil forces of the Nazism, which threaten to envelop the world, are still able to present, even in these days when the economic system of every country is in a state of violent convulsion. A study of the war-time co-operative chronicle of the free countries, reveals many remarkable features of Co-operation which prove its adaptability to war economy—to its capacity to tackle problems accentuated or brought about by the war. Co-operators of free countries now frame their family budgets and regulate the policy of their Movement with the new knowledge of the consumers' needs, in the light of State policy of controlling and reducing consumption to promote war efforts and meet the demands of armed forces. The policy of the State in a free country is in its turn guided and regulated by a knowledge of the essential items of war-time family budgets of the consumer. These budgets, naturally, no longer aim at maintaining the pre-war level of the standard of living. If all the people in a country

insist on maintaining the old standards of life and want comforts and luxuries, then they will have no margin from which to pay the price for Victory, which they all desire. If the poorer sections only are obliged to cut down their standards of life and the middle and the richer classes cling to their old standard and do not pay their quota of the cost of the war, then the State will have to borrow from the banks large sums to meet the deficit. Prices then go up sharply, the standard of living of the poorer and the working classes goes down still further, involving loss of health and general *morale*. So now the people of free countries have learnt that they must all, rich and the poor alike, cut out expenditure on every item which is not a necessity and which they can afford to leave out. The war-time family budgets of consumers, however, do aim and should aim at maintaining the family in good health and ensuring "the nutrition value of the diet even if this should involve a relative or even an absolute increase in expenditure on food."

The question of bringing the co-operative organization into closer touch with the labour organisation is not solved in Britain, for instance, by handing over the funds and properties of the former to the latter, but by tackling the question of bringing the Co-operative Union into more intimate and permanent association with National Council of Labour. Again the President of the Board of Trade announced in the British Parliament in May last that he had decided to appoint a Committee "to examine the present problems of retail trade having regard both to the immediate needs of the conduct of the war and to the position after the war." The Committee includes, besides members with experience in various branches of retail trade, representatives of labour and the co-operative movement. Mr. R. A. Palmer, General Secretary of the Co-operative Union, represents the Co-operative movement.

The Movements in Britain and America have shown their wonderful adaptability to the exigencies of war conditions. The consumers' societies there have proved their utility and potentiality for supplying the essential domestic needs of their members and keep down the cost of articles of food as far as possible. As regards the movement in the U.S.A., a Boston Multi-millionaire writes: "its logic is unassailable—its technique has met every test to which it has been subjected. It now asks only that it be applied to the most distressing and threatening problem of our time which, if not solved, must bring America to social and economic chaos. That is the problem of poverty in the midst of plenty—of failure to distribute according to our capacity to produce."<sup>3</sup>

The British and American co-operators, therefore, are entitled to our respect and sympathy in their heroic and admirable efforts not only to keep the co-operative flag flying even in these trying days but to turn the movement to the best use that can be made of it to aid war effort, in order to combat the forces of greed and aggrandisement which seek to enslave the people of the world. Here is the declaration of faith of the British Co-operators: "Nazi planes may destroy our buildings, our factories; they may kill our members and employees, but they cannot break the spirit of co-operation where it has the will to survive and the courage to resist aggression."<sup>4</sup> The contrast in the wartime lessons of co-operation in the Democracies and the countries under totalitarian dictators, should teach us, co-operators in India, where our interests lie in this struggle between conflicting ideologies and why we should wish for the success of the gallant fighters who are staking their all to defeat aggression and establish peace, contentment and happiness once more, by vouchsafing democracy and freedom to the World, which we hope includes India.

The British Co-operators, who plead themselves to bring about a New Order based on peace and social and economic justice will, we trust, unflinchingly advocate the claims of India for her rightful place among the Nations of the World, as a Free Land. Then only can India play her proper role in World Economy and the Indian Co-operative Movement can have an honoured place in the International Co-operative Alliance.

## LAND MORTGAGE BANKS AND THEIR PROBLEMS

We have been able to get together seven contributions for this issue on land mortgage banks and their problems in different parts of India. Madras has achieved, comparatively, the greatest success in this new field and serves as a model for other Provinces and States. The land mortgage banks in Madras have so far lent about Rs. 3 crores, much of it at 6 per cent to ultimate borrowers. No other Province or State has been able to lend more than a tenth of this sum though in some of them, like Bombay, there is no lack of resources or of enterprise. We cannot understand why the Government of Bombay should be so hesitant to permit the Central Land Mortgage Bank to float more debentures and satisfy the genuine long-term credit needs of a much larger number. Again, it should be as easy for that Government, as for the Government of Madras, to help the Bank with temporary advances

4. *Co-operative Review*, (Manchester) May, 1941, p. 132.

just when they are wanted for granting loans, without making the applicants wait too long or keeping idle the sums raised by debentures. The passing of the Agricultural Debtors' Relief Act should, if anything, bring more business to land mortgage banks, as these alone can clear off the scaled down debts to creditors on the lines of the Act and offer facilities to borrowers to repay in instalments. Debt conciliation and land mortgage credit should be complimentary to each other, rather than competitive.

We are surprised to hear that in Central Provinces there is a positive preference on the part of borrowers to resort to Debt Relief Courts as they grant easier instalments of payment, free of interest to borrowers. Surely this anomaly should disappear and creditors should be paid off the scaled-down sums by the banks, with which alone the borrowers should deal. This is necessary not only in the interests of fairness to creditors and discipline to borrowers but for the sake of building up a sound co-ordinated system of rural credit.

In Bengal again, we hear the complaint that Debt Settlement Boards stand in the way of progress of land mortgage banks. Bengal is a big province but shows a very poor record of long-term co-operative credit. Only six lakhs of Rupees have been lent so far to about 1,300 persons on the security of 10,000 acres! And the rate of interest is 50 per cent more than in Madras. We understand the abnormal difficulties in Bengal as regards land tenure. We trust the Government will before long formulate a well-conceived policy and relieve the distressed cultivators who should have complete occupancy rights, in a measure worthy of the Province.

Mysore began the experiment almost at the same time as Madras, but has not progressed farther than Bombay. The debentures have been sold easily at  $3\frac{1}{2}$  per cent and loans granted at  $6\frac{1}{2}$  per cent to the ultimate borrowers. But the number relieved is small. Perhaps the valuation of land has been unduly conservative or the resources of applicants are so poor as to leave little margin after payment of instalments. We commend the practice of granting loans on coffee and cardamom lands but we do not see our way to appreciate the grant of short-term loans by land mortgage banks for current cultivation expenses. Surely it cannot be difficult to organise ordinary credit societies for the grant of loans to a wider number in the villages.

Madras may be legitimately proud of its pre-eminence in this new field of co-operative credit, so far as India is concerned. But the record of achievement is insignificant by the side of the progress made by similar institutions in several foreign countries. As the recent Com-



mittee on Co-operation confessed, it has but touched the fringe of the problem of mortgage debt in the Province, which has been estimated at about Rs. 100 crores. The problem of overdues has begun to raise its ugly head in primary banks, but it is to some extent concealed by the unexpected clearance of loans far in advance of due dates—which gives rise to the serious problem of investment of such collections, especially as the Central Bank has now, very rightly in our view, assured debenture-holders that debentures will not be redeemed in the first ten years after their floatation. Apart from the purchase of debentures in the open market, we believe, the Bank may lend out these collections for shorter periods of ten to fifteen years, as undoubtedly there is a demand for such loans. The question of intermediate credit, running from five to fifteen years, has been fully discussed by the recent Committee on Co-operation and decided in favour of the Central Land Mortgage Bank granting such credit by the floatation of debentures for corresponding periods of five to fifteen years. We doubt, as we said in our comments on the U. P. Co-operative Conference whether debentures for such short periods of five or ten years will be so successful. Other means of raising such funds will have to be thought of.

Co-operators will all agree that while it is necessary for the land mortgage banks to redeem the oppressive prior debts of solvent agriculturists, it is even more necessary to make sure that the loans will lead to greater productivity on land. The banks are still paying lip-service to the idea of loans for land improvement and equipment. More earnest efforts must be made by the Government as well as the authorities of the Bank to find out the scope for such improvement-loans, particularly for land settlement and colonisation and the introduction of more intensive forms of agriculture. For the only sound and lasting basis on which land mortgage banks can function in future will be the raising of the productive capacity of land and the landholder.

#### THE UNITED PROVINCES CO-OPERATIVE CONFERENCE

The twenty-fourth session of the United Provinces Co-operative Conference was held in Gorakhpur in April last under the Presidency of Sri T. A. Ramalingam Chettiar, President of the Madras Central Co-operative Land Mortgage Bank. We publish extracts from his Presidential address elsewhere.

The President devoted considerable space in his address to the problem of official control over the Co-operative Movement and to the relations that should subsist between the officials of the department and non-official co-operators. We understand the President of the Con-

ference to argue in essence, that if the two agencies played their parts properly, with a correct perspective of the Movement and with a common desire to promote it on right lines, there should be no occasion for antagonism between the two and that such antagonism would arise only when either the official or the non-official misconceived his functions or failed to keep in view the scope of his powers, rights, duties and responsibilities in his own legitimate sphere of activity. He suggested the setting up of a Standing Advisory Committee consisting of officials and non-officials in order to promote co-operation and understanding between them. We presume that the functions of the Committee will be to advise the Provincial Government, that is to say, the Minister in charge of Co-operation. The utility of such a committee will depend largely on the mode of selection of the non-officials who are to serve on the Committee. We are of opinion that, instead of leaving their *nomination* to the official agency itself, their *election* should be left to the Provincial Legislature, somewhat on the lines of the Advisory Committees associated with various departments of the Central Government.

Referring to the experiment of formation of multi-purpose societies, on limited liability basis and converting some unlimited liability societies into limited liability societies and organising new societies on the same basis, the President struck a serious note of warning to the U.P. Co-operators and explained to them at considerable length, the advantages of retention of unlimited liability. There are about a thousand such multi-purpose societies in the province. They are called "Village Banks." The conversion of the existing credit societies into multi-purpose societies called village banks, is restricted to A, B and C class societies. These village banks are intended to tack on to credit, marketing, supply of agricultural implements and better living activities. All these activities are however not simultaneously introduced into every society but are being gradually extended. With the policy of organising village banks, restriction is placed upon registration of new societies with purely credit operations. Referring to this experiment the Registrar has the following observations to make in his latest report. "We have already switched the liability from unlimited to limited in a number of cases, but it would be best to stop at this stage and see how societies react to this change. From the point of view of safety, another alternative is to have both kinds of liability, unlimited for loans and limited for the rest." Other Provinces, we have no doubt, will watch with interest this bold experiment in the United Provinces. We wish all success to the experiment, for we believe in the benefits and potentialities of these 'Village Banks'. We are, however, sceptical about the expediency and practicability of

having two different kinds of liability in the same society. We are in favour of these village banks being put wholly on limited liability basis.

Dealing with the financial structure of the co-operative credit organisation in the province the President naturally observed that it was a matter of surprise and disappointment to him that no Provincial Bank had yet been started for the United Provinces, which was the biggest Province in British India. The number of Central Credit Societies (Central Banks and Banking Unions) in the Province as on June 30th, 1940, was seventy and their working capital on that date was over Rs. 108 lakhs, of which over 40 lakhs represented their owned capital. The need for an agency to co-ordinate their activities and to function as an efficient financing and balancing centre to them is evident. Mr. Chettiar drew the attention of the U.P. Co-operators to the comparatively small size of Central Banks compared to Madras and the existence of more than one Central Bank even in several small districts and expressed the view that it was desirable to amalgamate smaller banks into bigger ones in order to have one sound Central Bank in each district.

In the absence of a Provincial Bank, the Central Banks have to depend, among other sources to obtain loanable funds, on interlending between themselves. The Registrar in his annual report for 1939-40 says "smaller banks do not always find it possible to attract deposits at a reasonable rate of interest from outside and they look to sister banks for accommodation." The credit organisation of the Province suffers from other disabilities also by the absence of a Provincial Bank. It is unable to avail itself of even such small facilities as the Reserve Bank has extended to Co-operative Banks. The Registrar therefore puts in a strong plea for the early establishment of a Provincial Bank. In his latest report he observes that "A Provincial Co-operative Bank is necessary as much to raise the stature of the Movement as to complete the co-operative structure itself. Opinion is hardening that the lack of an Apex Bank is stunting the growth of the Movement. Outside critics—not excluding the Reserve Bank itself—have with feeling concern repeatedly pointed to this glaring defect in our financial system. The provisions for agricultural credit in the Reserve Bank of India Act may not satisfy ardent co-operators. But there can be no doubt that maximum facilities permissible within its framework will be available. Without an Apex Bank, we are not qualified to ask for any accommodation. The greater therefore the delay in formation, the longer becomes our isolation. Circumstanced as we are,

we carry a brand of inferiority, which is hardly deserved." One of the resolutions passed at the Conference urges that "until a Provincial Bank is formed and is able to supply necessary finance, Government be requested to provide special loans at cheap rate of interest to District and Central Co-operative Banks for financing marketing operations and to finance special types of societies such as irrigation societies, seed stores, marketing unions, ghee and milk supply societies, etc."

Another important topic with which the President dealt with in his Address, and which must have been engaging the attention of the co-operators not only of U.P., but of other Provinces as well, was the period for which rural societies could safely advance loans to their members. He pointed out that the Central Banks in most Provinces derived their loanable funds from demand and time deposits and the latter were usually not taken for periods of more than one to three years and could not therefore, safely advance long-term loans to rural societies; only short-term loans up to 18 months and intermediate loans up to 5 years might be given to the rural credit societies, as in Madras, leaving loans for longer periods to be supplied by the Land Mortgage Banks. We may, however, point out in this connection, that the Government of Madras recently published, for eliciting public opinion, a *draft* rule under the Co-operative Societies Act, limiting the maximum period of intermediate loans to *three* years and also empowering the Registrar to fix the proportion of the funds of the financing banks which may be employed in loans for short-term and for intermediate term not exceeding three years. In any such scheme, whether the maximum period of intermediate loans is three years or five years, the question of the agency for the supply of credit for periods over that maximum is one which co-operators cannot ignore. Who is to supply such credit in Provinces where there are no land mortgage banks? The question therefore, whether a separate Central Land Mortgage Bank should be started for the United Provinces or whether a separate land mortgage section should be formed in the proposed Provincial Co-operative Bank, as in C.P., is one which the Provincial Government and local Co-operators must solve. Even in a Province like Madras where the system of land mortgage banks financed by a central agency of their own has attained a measure of success, not achieved elsewhere in India, it is not easy to predict whether the land mortgage credit organisation as at present constituted and financed can afford to deal with loans for say four to ten years. What will be the probable annual demand for such loans? Can the additional funds required to meet the new demand be raised by short dated debenture issues for four to ten years? Will

they be popular in the market? Will the Provincial Government extend their present guarantee to such debentures also? These and other questions have not been definitely raised or answered in Madras till now. The Co-operators of U.P., who propose to write on a clean slate may have to canvass these and many other questions.

### THE LATE SIR C. Y. CHINTAMANI

It is with deep regret that we record the death of Sir C. Y. Chintamani on the 1st July last. After the inauguration of the Montagu-Chelmsford Reforms and when Co-operation became a transferred subject, the late Sir C. Y. Chintamani was the first Minister in charge of Co-operation in the United Provinces. He held office from 3rd January 1921 to 17th May 1923. He resigned, if we remember the facts aright, his ministership along with the Hon'ble Pandit Jagat Narayan to vindicate public opinion in the Province, over a controversy that arose between the Pandit, the then minister in charge of Education, and the then Vice-Chancellor of the Allahabad University, who was backed by the Governor over-ruling the Minister. By this single act he demonstrated his remarkable spirit of independence which people, who knew him, rightly said might possibly break but could never bend. In the short tenure of office he distinguished himself as an efficient administrator and was able to show remarkable progress in the Departments entrusted to his charge including Co-operation. Not only the United Provinces, the Province of his adoption, which he made his home and where he lived for forty years, but also the Province of Madras, the Province of his birth, mourn his loss. We offer our sincere condolences to the bereaved family.

## THE INDIAN PROVINCIAL CO-OPERATIVE BANKS THEIR PAST, PRESENT AND FUTURE

By

THE EDITOR

**Origin and Evolution.**—Among the Credit Agencies\* Co-operative Banks now hold an important position in India. The total working capital of the co-operative credit institutions in India (Provinces and States) was about Rs. 106·5 crores in 1938-39. In theory the co-operative credit structure is supposed to be federal, with the primary credit societies, rural and urban, as the foundation; these are federated into secondary societies, now generally known by the name of Central Banks, and these Central Banks, again in their turn, into their own apical institutions called the Provincial Banks. But as a matter of fact, this ideal has not been fully realised in practice anywhere in India, as we shall see a little later. The tendency, however, has been, all over India, to make the central banks and the Provincial Banks approximate, as nearly as possible, to federations of primary and secondary societies respectively, within the limitations imposed by their original constitutions, which were themselves dictated by local conditions.

It is the MacLagan Committee who have drawn pointed attention, for the first time, to the need for developing a Provincial or Apex Co-operative Bank for each Province. After setting out their reasons they have recorded the following conclusion.

“It is, therefore, in our opinion, necessary to provide in each of the major provinces an Apex Bank which will co-ordinate and control the working of Central Banks, forecast and arrange for the provincial requirements as a whole, and be the financial co-operative centre of the Province. An

\*The other chief Credit Agencies are: 1. The Reserve Bank of India. 2. The Imperial Bank of India, 3. Joint Stock Banks, 4. Exchange Banks and 5. Indigenous Bankers, that is to say, money lenders, shroffs and others doing banking business. The Government and the Insurance Companies also may be included, in a sense, among the Credit Agencies. There are special types of Credit Agencies in certain Provinces like the Loan Offices in Bengal and Nidhis and Chit Funds in Madras.

Apex Bank of this nature should have as its expressed object the direction of provincial finances by the control and support of Central Banks." (Page 95)

By the time the MacLagan Committee reported, Provincial Banks, or Institutions out of which what we now call Provincial Banks, have eventually emerged, existed only in four of the Provinces, viz., Madras, Bombay, Central Provinces and Bihar. Of those four, those in the Central Provinces and Bihar bore the name of Provincial Co-operative Bank. The one in Madras was known as the Central Urban Bank and the one in Bombay as the Bombay Central Co-operative Bank. They financed primary societies directly and were not "in charge of the direction of Provincial Finances." These two changed their names subsequently into Provincial Co-operative Banks, Bombay in the year 1924 and Madras in 1931. The other four Provincial Banks namely, those of Bengal, the Punjab, Assam and Sind, were started after the report of the MacLagan Committee was published and naturally styled themselves as Provincial Co-operative Banks from their inception and tried to conform themselves as far as conditions permitted to the general structure outlined by the Committee. With reference to the dates of their establishment, the Madras Provincial Co-operative Bank is the oldest while the Sind Provincial Co-operative Bank is the youngest. The Madras Central Urban Bank was started in 1905, the Bombay Central Co-operative Bank in 1911, the Provincial Co-operative Bank of Central Provinces and Berar in 1912, Bihar in 1914, Bengal in 1918, Assam in 1921, the Punjab in 1924 and Sind in 1935. The first four of these Banks have celebrated their Silver Jubilees. Thus of the eleven Governors' Provinces in British India, eight have now Provincial Co-operative Banks, the three Provinces which have not yet established Provincial Co-operative Banks being the United Provinces, the North-West Frontier Province and Orissa. Orissa which was constituted into a separate Province in 1935 was under the Bihar and Orissa Provincial Co-operative Bank till August 1938. A Provincial Co-operative Bank was formally registered, but the Government of Orissa in a recent communique stated that under the present circumstances it could not be started on its work. Proposals for the establishment of a Provincial Co-operative Bank for the United Provinces are under active consideration and there is a genuine demand for it.

The problem of building up a stable and comprehensive co-operative credit structure has become more and more complicated in the light of experience gained of the progress and working of the rudimentary (primary) credit institutions set up under the Act of 1904

and of the secondary types of credit institutions set up under the Act of 1912. The credit needs of the cultivator are found to be varied and such as cannot be catered to fully or adequately by a single type of credit society. He requires short-term credit and medium-term credit to meet current out-goings and facilitate the production as well as the marketing and movement of the produce and he requires long-term credit for repayment of old debts or improvement and consolidation of the holding. All competent authorities, who have conducted investigations into the problem of Rural Credit, such as the Royal Commission on Agriculture and the Provincial and Central Banking Enquiry Committees, agree that at least two different types of co-operative organisations are necessary to supply (1) Short and Intermediate term credit and (2) Long term credit. It is found that the existing primary credit societies and the central banks into which they are federated and the Provincial Co-operative Banks which form the apex of the pyramid of co-operative credit in the Provinces, by reason of the character of their resources and other limitations imposed on them as banking institutions, working mainly on deposits, can only supply short and intermediate term credit, and that for the supply of long-term credit, institutions which can raise long-term capital by suitable financial devices like the issue of long dated debentures backed by the security of permanent agricultural wealth in the shape of land or buildings should be organised.

The Provincial Co-operative Banks which were intended to be the apex organisations for the entire co-operative credit system of a Province or State have soon found themselves incapable of fulfilling that role in regard to providing long-term capital to agriculturists. A study of the Provincial Co-operative Banks in the Provinces and States will, therefore, be incomplete without a study of the evolution, working and progress of Land Mortgage Banks, which now form an integral part of the co-operative credit structure. The Central Land Mortgage Banks which finance their affiliated primary land mortgage banks as in Madras and Bombay are also Provincial Banks for long-term credit in a real sense. It is for this reason that we have supplemented the accounts of the Provincial Co-operative Banks given in the last issue with accounts of the working of the Land Mortgage Banks in the Provinces and States where they have been organised, though with widely varying degrees of success.

Let us now proceed to make a comparative study of the main features of the Provincial Co-operative Banks in British India. We have not included in this study the Provincial Co-operative Banks in the Indian States and reserve it for a future occasion. To our invitation



for contributions on the subject, we have so far had response from four States, Mysore, Travancore, Indore and Hyderabad (Deccan). We await similar contributions from Gwalior, Bhopal, Baroda, Kashmir and other states.

**Membership.**—In this study the first feature that strikes us is the diversity that there is in regard to membership of these Banks. There are individuals holding shares and exercising rights of membership in all these Provincial Banks except those of the Punjab and Bengal which have no individual shareholders. In addition to the individual shareholding members, the Provincial Banks of Bombay, the Punjab, Bihar, Central Provinces & Berar and Assam have both primary societies and central banks as members; while Madras strictly confines its membership to central banks and excludes primary societies, Bengal and Bihar do so practically. Sind has no central banks and so its membership consists only of individuals and primary societies.

The following table will show at a glance the composition of the membership of these banks.—

Provincial Banks	Members		
	Societies	Central Banks	Individuals
Madras	.. Nil	32	184
Bombay	.. 1971	11	1217
Sind	.. 1156	Nil	1682
The Punjab	.. 12239	120	Nil
Bengal	.. 52	117	Nil
Bihar & Orissa	.. 48	53	43
C. P. & Berar	.. 1946	35	110
Assam	.. 36	20	27

This composite membership raises some complicated questions particularly in regard to the general meetings and voting at those meetings. In Madras for instance, where the General Body consists of 32 central banks and about 180 individual shareholders, the rule of "one man one vote" will obviously not work for, the voice of the central banks, who are the real mainstay of the Bank and who own almost all the paid-up share capital will be drowned by that of individuals whose number is 6 times that of the central banks. So, giving up the co-operative principle of "one man one vote", the system of voting according to the number of shares held and by proxies, has been introduced so as to give an effective voice to the central banks. In order to remove this anomaly, among other considerations, the Madras Committee on Co-operation recommended that individuals should be altogether eliminated from the Madras Provincial Co-operative Bank, leaving the central banks alone as members. It is unnecessary to discuss the position in regard to the several Provincial Banks individually. The general nature of the problems arising by such membership can be seen from the observations of Mr. Mulraj Bai, Manager of the Punjab Provincial Co-operative Bank, in his article under the head 'General Meetings'.—

“The existence of some 12,200 share-holders of which 11,800 are primary societies, scattered all over the Province, which in one respect constitute the backbone of the Bank raises difficult problems of management. How to bring together to a common forum the representatives of all these small societies, situated hundreds of miles away from the head-quarters of the Bank, is a question which yet remains unsolved. Under the authority of by-law 13, a device known as Sectional General Meetings on an identical agenda has been tried but without success. Curiously enough the difficulty experienced is not one of unwieldiness but of paucity. To remedy the defect several proposals have been put forward. One is to exclude all primaries from membership. Another is to retain them (as recommended by the MacLagan Committee) but to hold indirect elections with the 'tehsil' as the electoral unit and to finally summon not more than 150 delegates to the general meeting at Lahore. The problem is being earnestly tackled just at present and it is hoped that, before long, a workable solution would be found out.”

**Working Capital and Its Composition.**—The Working Capital of the eight Provincial Co-operative Banks as on 30-6-1940 was about Rs. 12½ crores and their owned capital in the aggregate forms about 16 per cent of their total working capital. The following table will show at a glance the composition of the working capital, the percentage of owned capital (paid-up share capital plus reserves) to total working capital, deposits derived from co-operative institutions and borrowings from

other sources. The Banks are arranged in the order of the volume of the working capital in lakhs of rupees.

Provincial Bank	Owned Capital	Borrowed Capital		Total Working Capital	Percentage of owned capital to working capital
		Deposits from Co-op. Societies	Other deposits, loans, etc.		
Bengal ..	54.77	61.72	169.88	286.37	19.12
Madras ..	33.90	83.01	135.54	252.45	13.42
Bombay ..	33.42	94.46	109.49	237.37	14.09
The Punjab ..	28.44	71.00	50.06	149.50	19.00
C.P. & Berar ..	19.75	10.02	106.99	136.76	13.45
Bihar & Orissa ..	14.21	9.34	66.11	89.66	15.84
Sind ..	19.34	20.14	45.74	85.22 *	22.69
Assam ..	1.59	—	1.82	3.41	46.62

\* This has increased to over a crore of rupees by 30—6—1941.

The aggregate working capital of the Provincial Banks no doubt looks small in comparison with that of the Scheduled Banks taken together or of even single large Joint Stock Banks like the Imperial Bank or the Central Bank of India. But in assessing the total working capital of the Co-operative Credit Movement in British India as a whole we must also take into account the working capital of the central banks numbering about 484 and the primary, rural and urban credit societies whose number is about 87,530.\* They are all integral parts of one Co-operative credit edifice. Excluding investments of one society in another, the aggregate amount of the working capital of the Co-operative Banks in British India taken together is round about Rs. 78.11 crores. The Pro-

\* These figures are as at 30—6—1939 (vide Statistical Statements relating to the Co-operative Movement in India, 1938-39). With regard to Indian States, statistical information is available only for the following States: Mysore, Baroda, Hyderabad, Bhopal, Gwalior, Indore, Kashmir, Travancore and Cochin. In these there are 110 Central Banks and 17,715 societies and their working capital is round about Rs. 10.31 crores.

vincial Co-operative Banks, work mainly with the aid of their borrowed capital which is obtained from deposits of various kinds,—current, savings, fixed, prudential and the like. Generally the periods of deposits range from one to three years. Deposits for longer periods are rarely taken and such of the Provincial Banks which received such deposits in the past now find handicapped for, interest rates have since gone down considerably. The Provincial Banks are able to attract money both from inside the movement and outside at rates of interest which cannot be said to compare unfavourably with those offered by well established large Joint Stock Banks. Even the smallest of the Provincial Banks, viz., that of Assam with a working capital of just over three lakhs of rupees, is able to attract deposits at 3, 3½ and 4 per cent for 1, 2 and 3 years respectively. The Madras Provincial Co-operative Bank now pays one per cent on the daily credit balances of current deposit accounts and 2¾ and 3 per cent on fixed deposits for one and two years respectively. The Bank has notified that from 1st September the rate of interest on current deposits will be reduced to ¾ per cent and that on the fixed deposits to 2½ and 2¾ per cent for one and two years respectively. The Punjab Provincial Co-operative Bank allows no interest on current accounts for individual customers, while on the same class of accounts for central banks one per cent is allowed on daily credit balances. The rates of interest in all these banks are regulated from time to time according to the conditions of the money market.

**Employment of Capital.**—One of the charges laid by the Reserve Bank of India against Co-operative Banks is that they over-trade. It may therefore interest us to know what portion of their working capital is invested in liquid securities. The Reserve Bank of India indicated in their circular letter dated the 12th June 1939 (published in *the Review*, Vol. V, No. 2, page 336) some of the criteria of sound banking for the guidance of Provincial Co-operative Banks. In that letter they stated that the Co-operative Banks should *inter alia* maintain liquid resources consisting of cash, balances with bankers and Government securities which should be at least 40 per cent of their liabilities. Judged by this standard, the Provincial Co-operative Banks do not seem to lay themselves open to the charge of investing an inadequate portion of their working capital in liquid securities. The following statement will show what percentage of their working capital is invested in Government Securities alone.

Provincial Banks	Working Capital  (in lakhs of rupees)	Investments in Government Securities (in lakhs of rupees)	Percentage of in- vestments to Working Capital (in lakhs of rupees)
Bengal ..	286·37	77·51	27·06
Madras ..	252·45	125·63	49·76
Bombay ..	237·37	81·13	34·18
The Punjab ..	149·50	76·54	51·19
C. P. & Berar ..	136·76	59·67	43·63
Bihar & Orissa ..	89·66	18·69	20·84
Sind ..	85·22	18·93	22·21
Assam ..	3·41	—	

Apart from investments in Government Securities, the Provincial Banks keep their surplus funds, particularly those derived from the short-term deposits, either with approved Joint Stock Banks or other Provincial Co-operative Banks, besides maintaining their own cash balances. It must also be remembered in this connection that the Provincial Co-operative Banks are required by statutory rules to maintain fluid resources in order to enable them to meet their commitments to their creditors and depositors, in accordance with the standards prescribed by the respective Provincial Governments.

Another important piece of advice given by the Reserve Bank of India in regard to employment of capital by the Co-operative Banks is that relating to the character and duration of the loans advanced to their members. The Reserve Bank says that Co-operative Banks should ordinarily confine their business to short-term loans which in normal course should be repayable within nine to twelve months and that care should be taken to see that in actual practice such loans do not become long-term loans. Though it has not been found possible in practice to follow strictly this sound advice of the Reserve Bank, Co-operative Banks have been of late confining their business more and more to short-term loans for production, marketing and movement of crops. Of late the Bengal Provincial Bank has been advancing only crop loans for seasonal operations to the exclusion of all other loans. But the agriculturist's needs for medium-term credit requiring for its repayment two or three years are as imperative as his needs for short-term seasonal credit, borrowed and repaid annually for the pursuit of his hereditary occupation of husbandry. By wise and judicious allocation of their working capital, owned

and borrowed, between the two kinds of credit and with a due sense of relation between the periods for which deposits are taken and the periods for which they are lent out, the Provincial Banks can do sound banking business by advancing both short and medium-term loans without transgressing the general standards set for them by the Reserve Bank.

In regard to investment by the Provincial Co-operative Banks of their working capital in loans to their members, there is necessarily the same diversity as there is in their membership. In the matter of loan policy the Bombay Provincial Co-operative Bank seems to give itself the greatest latitude of all the Provincial Banks in India and its special features are interesting from more than one point of view. It mainly finances the primary societies in the Province through its own branches and only one central bank is said to borrow from it at present. The function of the Bombay Provincial Co-operative Bank in regard to the central banks seems to be mainly one of a balancing centre and of an agency for providing fluid resources for the movement as a whole through over-draft accommodation allowed against Government Securities or fixed deposits. The Provincial Bank now makes advances to a new type of 'B' class members, drawn from the members of affiliated societies, against agricultural produce and goods. The Bank also gives assistance to industrial co-operative societies and associations on the security of manufactured industrial products or raw-materials or for the purchase of raw-materials or sale of finished products. The Madras Provincial Co-operative Bank which deals exclusively with its member central banks, makes an exception in the case of its constituents, whether shareholders or not, by lending them on the security of Government Promissory Notes, Shares of the Reserve Bank and the Imperial Bank of India and their own deposits with the Provincial Bank itself. The Punjab Provincial Co-operative Bank lends to individuals, only on the security of their deposits with the Bank. Sind which has no central banks directly finances the primary societies in the Province. The Provincial Banks of the Punjab, Bihar and Central Provinces & Berar though they have both societies and central banks as members, finance only central banks; some of them finance societies in very special cases. The total amount of loans in all these eight provincial banks, outstanding on 30—6—1940 was about Rs. 660·53 lakhs.

The financial stability and the solvency of the Provincial Banks thus eventually rest upon the soundness of the security behind, and the realisability of, the numerous small loans outstanding against members of the primary credit societies, whether they are advanced to the societies directly by the Provincial Bank or through the central banks.

The ability of the societies to recover these loans depends upon the repaying capacity of the borrowers as well as on a host of other factors, some certain, some not certain some controllable, some not controllable, some dependent on the whims of nature, some on the vagaries of man. After all is said and done, it must be conceded that our rural economy is on the whole a deficit economy, that some proportion of our members borrow not because they *can* but because they *must*, that poverty is the cause of indebtedness in many cases and that defaults are committed even by honest members because of their actual inability to repay. Here lies the main weakness of the Co-operative Credit Movement.

A study of the accounts of the working of the Provincial Banks which is brought under review here, naturally unfolds therefore the same sad tale of long standing overdue, increasingly frozen assets and accumulating bad debts; the difference is one of degree. In some areas, particularly in Berar, served by the Provincial Bank at Nagpur, the loans have got themselves converted into landed assets which are unmarketable. The freezing of the assets of rural societies in Bengal, Bihar and Berar has had very adverse effects on the movement and the readers of the *Indian Co-operative Review* are familiar with the situation there and the attempts that are being made to rehabilitate the movement. The Registrar of Assam, after presenting a most depressing picture of the state of the movement there, puts in an earnest and urgent plea for rehabilitation. So it is not the proportion of investments in liquid securities and the maintenance of fluid resources that are at fault but the freezing of the bulk of our assets represented by the loans advanced to members of the societies, which is the main business of Co-operative Banks, that is the source of our present troubles.

At one time or another the Provincial Governments have extended their helping hand to several of the Provincial Banks to extricate them from their financial difficulties. Bengal, Bihar, the Punjab, Central Provinces and Berar have received such State aid and are indebted to the Government. The case of Sind deserves special mention. There was a financial crisis in 1937 and in the short period between May 1937 and January 1938 deposits to the extent of forty lakhs of rupees were withdrawn from the bank. The Government came to its rescue with a loan of eight lakhs of rupees, besides adopting other measures to restore public confidence. The Madras and the Bombay Provincial Banks have not so far sought Government help to any tangible extent. During the period of acute economic depression, the Govern-

ment of Madras in the year 1931 provided by way of temporary accommodation to central banks a loan of Rs. 10 lakhs which was quickly repaid. The Government help to the Bombay Provincial Co-operative Bank was mainly in connection with the financial embarrassment which arose from the Bank floating long-term debentures to finance Land Mortgage Banks at one time.

Before we conclude our observations on the employment of capital by the Provincial Banks we desire to mention that the Provincial Co-operative Banks which attempted to take upon themselves the role of suppliers of long-term land mortgage credit, particularly the Provincial Banks of the Punjab and Bombay, landed themselves in certain entanglements and for several years their profits had to be diverted into sinking funds for the redemption of the debentures to the detriment of the shareholders of the Banks who would otherwise have legitimately earned reasonable dividends. Bombay is just getting over the difficulties that arose from creating a floating charge over its general assets in favour of the debenture-holders. In Madras the land mortgage credit had always been kept separate from the ordinary co-operative credit and with the starting of the Central Land Mortgage Bank in 1929 the need for starting a separate land mortgage section in the Provincial Bank had disappeared. In 1929 the Madras Provincial Co-operative Bank made an attempt to raise some long-term money by issue of debentures, but as there was no out-let for that money, the debentures have been since fully redeemed. The Central Provinces & Berar Provincial Co-operative Bank is now functioning as a Provincial Land Mortgage Bank as well and a separate land mortgage credit section has been established. In Bengal, the Provincial Bank has declined to undertake long-term commitments without adequate Government guarantee, a question which is still under consideration. In the Punjab and Assam the primary Land Mortgage Banks which were started some years ago and financed by their respective Provincial Banks have now practically ceased to work.

**Administration.**—The constitutions of the Boards of Management and their Executive Committees by whatever name they are called, differ from bank to bank and the composition of the directorates and their functions are governed by the by-laws of the Banks. In all the Provincial Banks except two, or perhaps three, provision is made for grafting directors from outside the ranks of shareholders. In the Punjab, the Registrar of Co-operative Societies and the Financial Adviser of the Co-operative Department are ex-officio members of the Board. In Bengal three members are nominated by the Registrar to the Board.



In the Board of the Central Provinces and Berar Provincial Co-operative Bank, the Registrar and the Financial Secretary to Government are ex-officio members. In Bihar, the Registrar of Co-operative Societies is an ex-officio director. Under the scheme of rehabilitation, the Financial Adviser to the Provincial Bank to be appointed by the Government will be the Managing Director of the Bank during the period for which the Bank is placed under Government control. The Sind Provincial Co-operative Bank is being administered by a committee of nine members entirely nominated by the Provincial Government after the crisis of 1937 and the committee will continue to hold office till September 1941. Madras and Bombay (and perhaps Assam too) alone have no directors from outside the shareholders' ranks. There is now a proposal in Madras for the first time, 36 years after the starting of the Madras Central Urban Bank, to make the Registrar an ex-officio member of both the Board of Management and the Executive Committee. The Board of Management has approved the proposal by majority. The implementing of this proposal is pending the vote of the General Body for the purpose of making suitable amendments to the by-laws, relating to the composition of the Board and the Executive Committee.

**Relations with Central Banks.**—The exact relations of the Provincial Banks with the Central Banks vary from Province to Province. But generally speaking the Provincial Banks do not exercise any administrative control over the central banks which are autonomous institutions. They act mainly as balancing centres to their affiliated central banks and as links with the money market at the provincial capitals and other financial nerve centres. The central banks generally deposit their surplus funds with their Provincial Banks as well as with well established Joint Stock Banks. In Madras the Reserve Funds of the central banks are deposited with the Provincial Bank and carry interest at 3 per cent. These Reserve Funds now amount to Rs. 33.33 lakhs. Of late the central banks have been permitted to invest part of their statutory Reserve Funds in the debentures of the Madras Central Land Mortgage Bank. The Bombay Provincial Co-operative Bank offers a slightly higher rate of interest on fixed deposits to co-operative institutions than to individuals.

In Bombay the activities of the central banks are now co-ordinated by an Association started in the year 1939, called the Bombay Co-operative Banks' Association. The Provincial Bank is actively associated with the working of the Association. In Madras the Provincial Bank convenes an annual conference of the central banks at which problems of common interest and the policies of the Provincial Bank in relation

to central banks are discussed. The Madras Provincial Co-operative Bank has established a convention several years ago of inspecting the affiliated central banks by the President or other directors authorised in this behalf. Now there is a provision in the Madras Co-operative Societies Act empowering the Provincial Co-operative Bank to inspect the central banks financed by it, by its 'Officers.' The Central Provinces Provincial Co-operative Bank also arranges for the inspection of central banks through one of the members of the senior staff, preferably the Manager of the Bank if available. It has now on its establishment an inspector who visits affiliated central banks and gives the Provincial Bank first hand information about the working and financial position of the central banks.

Direct interlending between the several central banks is prohibited in all Provinces which have Provincial Banks. In the Punjab till 1929 inter-bank loans were allowed but arranged and controlled by the Provincial Bank. But since then interlending between central banks was altogether prohibited. The Punjab Provincial Bank receives the surpluses from affiliated central banks to an unlimited extent and discharges its essential function as an Apex Bank for co-ordinating and balancing the activities of its member societies besides performing other services of various kinds ; for instance, it acquaints the central banks with conditions of the money market and security market from time to time by circulars, and gives necessary lead to the central banks in regard to regulating borrowing and lending rates.

The question whether there should be any change in the existing system in regard to the relations between the Provincial Banks and their affiliated central banks is one of considerable importance in the future development of these banks. We do not advocate any radical changes whereby any administrative control is vested in the Provincial Banks over their affiliated central banks which should remain independent and self governing institutions. The function of the Provincial Bank should be one of advice and guidance and of evolving common policies by discussion and negotiation. The Provincial Banks should however, have powers of inspection and of calling for information about the position of fluid resources, maturities of time liabilities, seasonal recoveries, prevailing rates of interest, bad and doubtful debts and other financial particulars.

**Relations between the Co-operative Departments and Provincial Banks.**—It is gratifying to note that in all Provinces the relations between the Registrars and their Departments on the one hand and the Provincial Banks on the other have been cordial. There can be no

difference of opinion on the need for and the usefulness of genuine co-operation between the Departments and the Provincial Banks. But intricate questions of practical importance arise with regard to the line of demarcation to be drawn between guidance and advice as distinguished from dictation or control of policies and interference with internal management of the Provincial Banks, by Registrars. In this matter there is considerable divergence in practice in the several Provinces. For instance the position in Bihar and Orissa was stated thus by the Bihar and Orissa Committee on Co-operation (The Hubback Committee) : "The Registrar as the Head of the field staff on whose information the Bank depends for judging the wisdom of lending to central banks and as the only channel for enforcing the demand of the Bank on the borrowing banks has generally an *effective* voice in all important matters of policy and *even of detail*." This perhaps goes farther than the position in most other Provinces; even in Bihar it varied with the Registrar. The Provincial Banks will certainly be well advised in seeking information from the Registrars and their departments as regards the financial position of the central banks with which they deal and also inviting the recommendation of the Registrar in regard to sanction of loans. But the actual responsibility for advancing loans must be that of the Provincial Bank concerned. In Provinces like Bengal, Bihar and Central Provinces where the creditors and depositors of the central banks have lost considerably by reason of the bulk of the loans advanced by the central banks proving irrecoverable, questions relating to the extent and nature of the Government's responsibility to make good the losses to the creditors of the central banks, were specifically raised in view of the fact that the loans were advanced on the recommendation of the departmental officers who were the agents of the Government. The creditors contended, not without some justification, that in such cases the responsibility of the Government was not merely moral but also legal. In Burma when a similar situation arose in 1928-29 and the Provincial Bank was unable to meet its obligations to its creditors, the Government recognised their obligation to come to the rescue of the Bank. In their review of the report of the Committee on Co-operation in Burma, presided over by Mr. Calvert, they stated "the Government in consideration of the relations of the Bank to the Department which have been described above feel obliged to come to the assistance of the Bank and decided to accept responsibility for making good the deficit of the Bank's assets required to repay the depositors. The cost to the provincial revenues is estimated at Rs. 30 lakhs." In regard to future policy, the Government of Burma proceed to say "it is neces-

sary that Government take precautions, about the effectiveness of which there can be no doubt, against any recurrence of such entanglement on their part in the financial liabilities of co-operative institutions." They entirely agreed with the principle stated by the Committee that the financing agencies must be entirely responsible for loans, deposits and internal working. As regards the function of the departmental officers they observe thus: "A more controversial point is raised when the Committee proceed to recommend that the co-operative staff should attempt to advise the financing body whether the maximum normal credit limit of a society is reasonable or not in view of rural conditions and that applications for loans other than crop loans should be submitted through the Junior Assistant Registrar. The suggestion of course is that though the responsibility for granting a loan must rest entirely with the financing agency, the advice of the co-operative staff should be at the disposal of the financing agency. As at present advised, however, though they have not yet arrived at a final conclusion, the Government are disposed to feel that even the giving of official advice as to the granting of loans would weaken the Bank's sense of responsibility and might end in placing the Department in much the same relation to the financing agency as that in which it was involved in the case of Provincial Bank".\* It is well known that a little later the Government of Bengal were caught in a similar entanglement by reason of the responsibility that the then Registrar of Bengal took in advising the Provincial Bank to finance the Jute Sale Societies. The total loss sustained by the Provincial Bank on that account, estimated at 24 lakhs of rupees, is being now paid by the Government by means of an annual subsidy of two lakhs. Even where the Provincial Governments have in theory repudiated their legal liability to make good the loss to creditors in similar circumstances, as for instance in Bihar, Central Provinces and Bengal, they have been obliged by force of circumstances and strength of public opinion to agree to foot a part of the Bill for the rehabilitation of the movements from out of their public treasuries.

We are painfully aware of the disastrous results brought about by the variation of financing policies with the change in the personnel of the Registrars in some Provinces. It is used to be said that 'Equity varied with the foot of the Chancellor.' It may or may not have been so; but, in co-operative finance the standards and measures in regard to advancing of loans did vary with the hand of the Registrar. It is

\* Report of the Burma Committee on Co-operation, p. 6.

clearly inadvisable to subject the Provincial Banks and their affiliated central banks to experimentation in this manner. The Committees of the Provincial Banks should exercise their independent judgment, in the light of the advice of the Registrar, and should assume full responsibility for the scrutiny of loan applications and the sanctioning and disbursement of loans. We are therefore of opinion that the function of the Registrar and his department in regard to policies as well as details in regard to granting of loans by Provincial Banks should be merely of an advisory character.

This advice is best given by the Registrars from outside the directorates and will continue to carry all the weight that is due to it. So the practice, where it exists, of making Registrars *ex-officio* members of the directorates may, in our opinion, be usefully abandoned both in the interests of the movement, and the Registrars themselves.

**Relation of Provincial Banks with Reserve Bank.**—The Reserve Bank in their latest circular regarding the extension of remittance facilities to Provincial Co-operative Banks have agreed to treat co-operative central banks which are affiliated to Provincial Co-operative Banks as branches of the latter for purposes of such remittance facilities. The principal account of a Provincial Co-operative Bank will be the account maintained by the Head Office of the Bank at the local office or branch of the Reserve Bank. We understand that the Provincial Banks of the Punjab and Bombay have accepted and joined the scheme of the Reserve Bank. The Madras Provincial Co-operative Bank which already keeps the prescribed free cash balances with the Reserve Bank and observes some of the other main conditions formulated by the Reserve Bank will, we believe, find no difficulty to join the scheme. These concessions will enable Provincial Banks joining the scheme to effect transfer of funds inter-provincially among themselves between centres where there are offices of the Reserve Bank. The scheme may not, however, suit other Provincial Banks like those of Bengal, Bihar & Central Provinces and the Reserve Bank may have to consider their cases separately and to make suitable modifications in the scheme.

As regards direct financial assistance by the Reserve Bank to the Provincial Banks, the scope has been considerably narrowed down by the interpretation of section 17(2) (b) and section 17(4) (c) of the Reserve Bank Act, a subject which we have dealt with in these pages on more than one occasion. Now that there is no prospect of the Reserve Bank reconsidering the position, the Provincial Banks and their affiliated central banks should endeavour to create documents of title to goods and

Usance Bills of the kind required by the Reserve Bank. The Reserve Bank is giving or has agreed to give cash credit accommodation to some of the Provincial Banks like those at Madras and Bombay on the security of Government Paper. But the Madras Provincial Co-operative Bank has so far failed in its attempts to obtain similar accommodation from the Reserve Bank on the security of the debentures of the Madras Central Land Mortgage Bank, the principal as well as interest of which are guaranteed by the Government of Madras. The Punjab Provincial Co-operative Bank has opened a current account with the recently opened branch of the Reserve Bank at Lahore and we are told that negotiations are in progress to establish a permanent contact between the Provincial Bank and the Reserve Bank. The Reserve Bank has prescribed a form for the preparation of their balance sheets by the Provincial Co-operative Banks and some of the Provincial Banks have already been preparing and submitting their balance sheets in that form.

We hope that the adoption of these measures will bring the Reserve Bank into closer contact with the Provincial Co-operative Banks and that the Reserve Bank will be able to extend greater financial facilities to Provincial Banks in future than it has hitherto found it possible to give.

**Is an All-India Apex Co-operative Bank necessary ?**—The Mac-lagan Committee in their report of the year 1915 said that there was need for an institution which would undertake the function of rediscounting the promissory notes or Bills of primary societies when endorsed by co-operative central financing agencies like the Provincial Banks, as agricultural paper was not acceptable to ordinary banks for it represented security which was remote and inconvenient to realise. Nevertheless, they did not make a definite recommendation for the establishment of such a Bank for they felt the need for further informed advice from outside authorities and were impressed with the grave difficulties attendant upon the proposal. Fifteen years later in the year 1931 the Indian Central Banking Enquiry Committee expressed the view that there was no need to establish an All-India Apex Bank or an All-India Co-operative Council with administrative or controlling functions. This view was based partly upon the prospect of the early establishment of the Reserve Bank (which was established in 1935) and partly on the existence of the two All-India Co-operative Institutions, namely, The Indian Provincial Co-operative Banks' Association and the All-India Co-operative Institutes' Association. Although our expec-

tations in regard to the Reserve Bank's services as a rediscounting agency of co-operative paper have not so far been fulfilled, as we have already stated, and the All-India Associations have not yet established close and effective contact with their member institutes, we are in agreement with the conclusion of the Indian Central Banking Enquiry Committee that there is no need for the establishment of an All-India Apex Bank. There is scope for the relations between the Reserve Bank and the Provincial Co-operative Banks improving in course of time if the latter endeavour to attain the standards expected of them by the Reserve Bank and create co-operative paper which the Reserve Bank will treat as eligible for rediscounting or acceptable as sound and valid security for credit. The Indian Provincial Co-operative Banks' Association comprises all the Provincial Banks in British India and some Provincial Banks in Indian States in its membership and "has for its object among other things the furtherance of common interests especially in matters of finance, legislation and administration." The main objective of the All-India Co-operative Institutes' Association is "to promote and extend co-operation through the institutes and to furnish advice and assistance to member institutes on all co-operative questions." Steps have been taken to ensure due publicity being given to the activities of these two Associations as well as those of the Provincial Co-operative Banks and Provincial Co-operative Institutes in India through the medium of *The Indian Co-operative Review*. If these two All-India Associations are further developed and maintained in an efficient state of working, they will impart new vigour and vitality to the Co-operative Movement in general and to the Provincial Co-operative Banks in particular.

**The Future.**—The first and foremost aim of the Provincial Banks with regard to their future development would naturally be to pursue their immediate objective, *viz.*, to consolidate and intensify their efforts, to equip themselves as reservoirs of funds required to supply their members with cheap and productive credit in a better regulated and more adequate measure and generally to become efficient provincial financing and balancing centres of the Movement. But they may not be left for long with the discharge of the functions of mere credit agencies. With a greater appreciation of the modern conception of co-operation they will be called upon to play a much wider role in our rural and urban economy.

Even in the limited sphere of finance, far reaching reactions are already in sight in the wake of recent trends of social legislation. Acts have already been passed in several Provinces for the relief of indebted-

ness and the regulation and control of money lending. These Acts will, no doubt, be made more drastic in course of time in the direction of making serious inroads on the supposed sanctity of contracts between debtors and creditors, so as to ensure better social justice and greater economic freedom to the masses—the toiling millions, the workers and the peasants. All these Acts will no doubt be made applicable to the Co-operative Banks as well. We now derive our limited supply of capital from wealth that is not used up by the richer classes, capital which can go on breeding bearing interest for ever. These notions will have to be abandoned. In Madras the ancient rule of *Damdapat* has been revived whereby the debt of an agriculturist is extinguished if an amount equal to the amount of the principal is paid as interest. The Provincial Co-operative Banks should encourage such social legislation and bring about necessary adjustments in the co-operative credit organisation as a whole.

Outside the strictly limited sphere of merely providing credit, Provincial Co-operative Banks will be called upon in the near future to become potent factors in the reconstruction of the economic life of the people, promote and encourage among other objects a more equitable distribution of wealth and better and equal opportunities of life for the rich and the poor. Co-operation is now looked upon as no more than “a phase of many sided socio-economic advance or a part of an entire rural reconstruction movement.” As Prof. Radhakamal Mukerji, says in his article on “Planned Co-operation,” published in our last issue, “As long as the Co-operative Movement does not link itself with the entire range of methods and agencies for the improvement of income and credit-worthiness of the cultivator, it cannot be rescued from the mire of bankruptcy and the rut of business inefficiency into which it has fallen.” We endorse this view wholeheartedly. Co-operation will soon become a part of our planned economy and planned co-operation must be an offensive on all fronts. The Provincial Co-operative Banks, the central banks and the village societies may have to be so reconstructed as to become effective instruments of “an offensive on all fronts” of planned Co-operation.



## THE HYDERABAD CO-OPERATIVE DOMINION BANK

By

RAGHUNATH KACHE, B.A., (OSMANIA),

*Asstt. Superintendent, Office of the Registrar of Co-operative Societies, Hyderabad (Deccan).*

The Hyderabad Co-operative Central Bank was registered under the Hyderabad Co-operative Credit Societies Act 11 of 1323 F (1914) as a central society on limited liability by the Registrar on the 6th March, 1915. H.E.H. The Nizam's Government agreed to guarantee interest at the rate of 4 per cent per annum on the paid-up share capital for 20 years and laid down the following conditions to be observed by the bank: (1) The capital of the Central Bank shall be Rs. 5 lakhs with power to increase the same to any amount, not exceeding Rs. 20 lakhs with the permission of the Registrar previously obtained, (2) The Bank shall also have power to receive deposits from members or non-members to an extent not exceeding 5 times the paid-up share capital provided that the Bank shall keep in hand, either invested in H.E.H. The Nizam's Promissory Notes or in other securities approved by H.E.H. The Nizam's Government, and in cash, amount which shall be equal to half of the amount deposited with the Bank for the time being payable on demand, (3) The funds of the Bank shall be utilised for the purpose of granting loans to co-operative credit societies registered under the Co-operative Societies Act 11 of 1323 F, provided always that no loan shall be granted to any co-operative credit society, unless the same shall have been approved of or recommended by the Registrar of Co-operative Credit Societies, (4) The interest to be charged by the Central Bank to any co-operative society shall not exceed 9 per cent per annum, (5) A Reserve Fund shall be created by the Central Bank which shall consist of one-fourth of the net annual profit. This reserve fund may not be used by the Central Bank for its ordinary business but must be invested in banks or securities approved of by the Registrar and may serve to meet any unforeseen losses to reduce the rate of interest charged or allow a rebate to societies that have borrowed from the Central Bank.

The Dominion Bank started its business in 1915 at the end of which it had 76 members, 70 of them being individuals and 6 agricultural credit societies. The loans advanced during the year amounted to

Rs. 73,650 and the outstandings of the Bank stood at Rs. 73,600 at the close of the year. Deposits received during the year amounted to Rs. 70,847 and the paid-up share capital was Rs. 24,110. The book profit was Rs. 1366 and the rate of interest paid on deposits was 5 per cent while that charged on loans advanced to its members was 9 per cent.

**Current and Savings Accounts.**—The business of the Bank steadily increased and it was thought desirable in 1923 to open Current and Savings accounts also. This was welcomed by the public and large amounts were deposited in the Bank under these heads. The figures given below for the first five years indicate the popularity of the accounts mentioned above:—

*Balances at the End of the Co-operative Year, 1940*

	Current Accounts	Savings Accounts
	Rs.	Rs.
1923	.. 22,311	10,510
1924	.. 38,241	14,633
1925	.. 1,61,919	26,628
1926	.. 2,26,487	51,948
1927	.. 3,58,869	61,458

The Bank advanced loans to individuals and primary societies. But as the need for a financial co-operative centre for the Dominion was increasingly felt, it was considered desirable to convert it into an apex bank. Steps were accordingly taken and by-laws were suitably amended at the general body meeting of the Bank in 1924, and the authorised capital was raised from Rs. 5 lakhs to 10 lakhs. The Bank thus entered on its second phase and started functioning as the Co-operative Dominion Bank. But it continued to have direct relations with primary societies in a few districts where for various reasons the local central banks were not prepared to take over loans already advanced by the Dominion Bank. By 1926, however, with the exception of only the Warangal and

Khamam central banks, all the other central banks agreed to take over the loans due from the primary societies in their areas to the Dominion Bank.

After changing the constitution of the Bank it was considered desirable to allow central banks to purchase shares, which they had not done till 1926, and consequently had no representation on the Board of Directors. It was also agreed and adopted in the by-laws that the votes of members shall vary according to the shares held by them at the rate of one vote for every ten shares of individual share holders and one for every four shares of a society or bank. The rule of one man one vote has, however, been observed in the Board as well as in the Executive Committee.

The Board, under the new by-laws, consisted of 12 directors of which only 3 could be representatives of societies and banks. The shares held by primary agricultural credit societies were transferred to the respective central banks and three of them were elected to send their representatives on the Board. The by-laws were amended in 1928, and the number of Directors was increased to 16, of which the Registrar was to be ex-officio Director and five were to be elected from societies and banks. Later in 1929, the by-laws were again amended and the number of Directors of the Board was increased to 21, 12 for individual share holders and 8 from societies and central banks. An Executive Committee comprising 8 members has been appointed to carry on the business, which also exercises all the powers delegated by the Board for efficient administration of the Bank. The individual share-holding which was originally fixed at a maximum of 50 shares per individual was revised under the orders of Government in 1939, and fixed at 40 shares per individual. The shares made available by this reduction were purchased by central banks at Rs. 120 per share. Further, in order to increase the voting power of central banks, the Dominion bank decided to issue 500 ordinary shares at par, which were all purchased by central banks. The by-laws were also amended to increase the number of representatives of central banks and societies from 8 to 10. Thus there are now 10 representatives of individual share holders and 10 of central banks and societies on the Board of 21 Directors, the Registrar being ex-officio Director. The Bank has been very fortunate throughout in having Dewan Bahadur S. Aravamuda Ayyangar, a distinguished co-operator of Hyderabad, as its President. It owes its strong financial position to the able guidance of its President and his colleagues on the Board of Directors.

**Share Capital and Reserves.**—The Bank started with a meagre share capital of Rs. 24,110, but has now Rs. 5,60,580 under this head. It has

always been the policy of the Bank to increase its reserves to make its financial position as strong as possible. Therefore it not only sets apart statutory reserves from its profits but also adds large sums every year to various other reserves for bad and doubtful debts and for over-due interest etc. The figures below show the growth of the share capital and various reserves :—

		Share Capital	Reserves
		Rs.	Rs.
1915	..	24,110	—
1920	..	3,50,140	22,636
1925	..	4,87,860	1,10,482
1930	..	4,96,610	2,27,728
1935	..	4,97,595	6,26,058
1940	..	5,60,580	9,03,172

The following table shows the dividends declared by the Bank from 1915.

Year	Dividend declared Percentage	Year	Dividend declared Percentage
1915	.. 6	1929	.. 6¾
1916	.. 6½	1930	.. 7
1917	.. 9	1931	.. 6
1918—		1932	.. 6
1922	.. 10	1933—	
1923	.. 9	1935	.. 7
1924	.. 6	1936—	
1925—		1940	.. 6
1928	.. 7		

**Deposits.**—The financial stability of the Bank has always enabled it to enjoy great confidence and attract large sums as deposits from public. The figures below indicate that in spite of reductions in the rates of interest paid on deposits from time to time, the Bank had never any difficulty in tapping local deposits :—

Year	Fixed Deposits	Interest on deposits		Current Acct.	Savings Acct.
		For 1 year	For 2 years.		
	Rs.	Per cent	Per cent	Rs.	Rs.
1915	70,497	5	—	—	—
1916	1,43,815	5	5½	—	—
1917	3,22,571	5	7	—	—
1919	8,19,993	6	7	—	—
1923	12,07,674	6	7	22,311	10,510
1925	13,48,671	5	6	38,241	14,633
1928	21,74,472	5	5½	2,19,279	73,177
1930	26,70,283	4½	5	2,37,938	1,08,218
1933	28,36,859	4	5	1,44,737	1,97,691
1934	29,15,683	3½	4	1,75,166	2,51,867
1936	18,49,101	3	3½	20,77,686	2,84,730
1940	20,19,428	3	3½	2,36,566	4,09,238

The rates of interest paid on fixed deposits have been reduced to 2½ and 3 per cent for one year and 2 years respectively from 7th July 1940. Central banks and societies have always deposited their surplus funds in the Bank and, when needed, obtained loans on the security of such deposits. The rate of interest charged on loans advanced on the security of fixed deposits is 1 per cent more than that given on deposits. The deposits from the central banks and societies totalled Rs. 5,10,857 at the close of the co-operative year 1940.

**Loans to Central Banks and Recoveries.**—The lending rate from the beginning up to 1924 was 9 per cent. From 1925 to 1928 it was 8 per

cent, which was reduced to 6 per cent in 1936. From 1940 the Bank is charging only 5 per cent on all loans advanced to central banks. The Bank usually advances what are called short-term and intermediate loans, to be repaid in the first instance within a period not exceeding 3 years, but the Board of Directors may, from time to time, grant extensions considering the merits of each case, provided that the total period of such extensions shall not exceed 5 years. The Bank did not have any difficulty in recovering its loans from central banks except in the case of nine central banks, whose financial position was for some time causing anxiety to the movement. These were the banks which were the first to be opened and they were weighed down by losses incurred particularly owing to faulty finance. Such losses were aggravated by the general economic depression, which lasted for a number of years. In spite of offering attractive terms in the shape of rebates and concessions, recoveries from members of primary societies were not improving. Of the total outstandings of Rs. 33·37 lakhs with primary societies, as much as Rs. 7·80 lakhs was recoverable under interest, while the central banks owed Rs. 12·02 lakhs principal and Rs. 3·99 lakhs interest to the Dominion Bank. The Dominion Bank promised that in case the central banks paid up all their dues, it would grant a rebate of two lakhs, one lakh under principal and one lakh under interest. The central banks concerned requested the Government for help and H.E.H. was graciously pleased to sanction a loan of Rs. 15 lakhs, of which 8 lakhs was free of interest repayable in 10 years, and Rs. 7 lakhs was repayable in 5 years at 3 per cent interest. Having obtained the loan from Government the central banks paid up all their dues to the Dominion Bank which, in turn, granted a rebate of two lakhs as promised from its reserves. Besides, the Bank granted Rs. 35,064 as bonus to those four central banks, which had taken over and repaid loans that were advanced by the Dominion Bank direct to primary societies. On an average the Bank has advanced Rs. 4·7 lakhs every year to central banks for the last 10 years. The largest sum of Rs. 7·08 lakhs was advanced in 1939.

In addition to the business of co-operative finance the Government have kindly allowed the Bank to advance loans to Government employees for house-building purposes. The loan is advanced up to 12 times the salary of the employee and is repayable in 60 instalments at 6 per cent interest. Government has undertaken to recover instalments from the salaries for which the Bank pays 1/12 of the interest recovered. This loan is subject to the condition that the total amount outstanding in any one year should not exceed Rs. 10 lakhs. The loan outstanding at the end of 1940 was Rs. 8,91,655. The average profit that the Bank received every year for the last 5 years from this business was Rs. 48,000.

The Bank has purchased a building of its own for Rs. 86,551 and paid Rs. 2,000 from its profits in 1940 to the Central Co-operative Union for education and propaganda activities. The establishment charges of the Bank, on an average, amount to Rs. 12,000 per year, and a fund called the Provident Fund has been instituted for the purpose of making some provision on retirement for the members of the staff. The contribution of each member to the said fund is  $\frac{1}{12}$  of his salary, excluding bonus, acting leave and other extra allowances. To the total amount of the member's contribution as appearing at the end of the co-operative year the Bank contributes an amount equal to the total of the member's contribution and allows interest at 6 per cent per annum on the aggregate of the members' and its own contribution. The total amount of the Provident Fund of the employees amounted to Rs. 30,552 at the end of June 1941.

## CENTRAL BANKS IN UNITED PROVINCES

### Scheme for a Provincial Co-operative Bank

By

B. L. JASPAL,

*Deputy Registrar, Co-operative Societies.*

There are 70 Co-operative Central Banks in the Province comprised of 59 District Banks, 10 Banking Unions and the Mason Co-operative Federation, at Bara Banki.

**Constitution and area of operations.**—The District and Central Banks, which differ between them only in name are wholly of the mixed type and have individuals as well as societies as their members. The Banking Unions, on the other hand, are of the pure type and have only societies as their members. The area of operations of a Banking Union is smaller than that of a District or Central Bank. In almost all cases both the classes of banks operate in the same districts but there is hardly ever any conflict or competition.

**Functions.**—Until 1928 supervision and finance were both vested in the central banks. But they functioned, more or less, as benevolent mahajans and neglected the more important task of supervision and education of societies. The United Provinces Co-operative Union was hence brought into being in 1928 to which the district and central banks entrusted supervision, education and development of their societies. The main function of central banks since then has been to raise deposits and loans and to finance the societies affiliated to them. Of the 70 district and central Banks 59 have already accepted the provincialisation scheme and they have become members of the Provincial Co-operative Union. The remaining banks are gradually falling into line with their sister institutions. In the matter of education of members and training of panchayats, societies under provincialised banks are distinctly superior to those working under the old system. Collections from societies under provincialised banks were 75·6 per cent of the demand in 1939-40, as against 53 per cent in the other case. The cost of supervision is met between the Union and its constituent members. Central banks meet 55 per cent of the costs of supervision and the balance is made up by the Government grant of Rs. 75,000 for the purpose. In cases, however, where the central banks are unable to meet their quota, the Union can and does reduce the amount.



**Working Capital.**—The working capital of central banks according to the report for the year 1939-40, is Rs. 108·15 lakhs of which the owned capital is Rs. 40·37 lakhs. The percentage of owned to working capital thus works out at 37·2 per cent. There are four banks, namely, Gorakhpur, Moradabad, Kasia and Banda, with a working capital of over Rs. 4 lakhs, 17 with a working capital of Rs. 2 to 4 lakhs, 17 with a working capital of Rs. 1 to 2 lakhs and the rest with a working capital of below Rs. 1 lakh.

**Deposits.**—The deposits from individuals, banks and societies according to figures for 1939-40 are Rs. 53·82, Rs. 3·92, and Rs. 10·28 lakhs respectively. The deposits accepted are mostly for one year. The central banks have taken full advantage of the present low rates of interest prevailing in the money market and have effected substantial reductions in their rates of interest offered on deposits, thereby enabling them to lend at cheap-rates to primary societies. The rates on deposit in the province average 3½ per cent and vary from 1½ to 6½ per cent.

The mahajans were so far reluctant to invest their funds in co-operative societies as they had other avenues offering very high rates of interest. In fact, they considered societies as parallel institutions prejudicial to their business. With the passing of debt legislation restricting and controlling rural credit, they are now feeling increasingly shy with their old clientele in the villages. This is perhaps the best occasion for bringing them into the fold of co-operative investors and also for enrolling them as sympathetic workers from within. The closer acquaintance with the actual working of co-operative societies will gradually dispel the suspicion with which they have been viewing them hitherto.

**Advances and Recoveries.**—The advances to societies according to figures for 1939-40 are Rs. 44·60 lakhs. The lending rates in the province average 12 per cent and vary from 8 to 12 per cent. The societies working with their owned capital sometimes make advances to their members at 6 to 8 per cent. The total demand according to figures for 1939-40, is Rs. 57·7 lakhs and the recoveries from working societies are Rs. 42·94 lakhs. The percentage of collections to total demand thus comes to 73·9 per cent which is the highest as compared with any previous year. Recoveries from working and liquidated societies combined, according to the figures for 1939-40, amount to 69·2 per cent. As the following figures will show, the overdues in relation to outstandings have shown a very satisfactory and progressive decrease.

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<i>Year.</i>	<i>Percentage of loans over due.</i>
1935-36.	49·2
1936-37.	45·8
1937-38.	41·5
1938-39.	36·1
1939-40.	33·7

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**Financial position.**—The financial position of the central banks in the province, on the whole, continues to be satisfactory, despite the fact, that fourteen banks worked at a loss during 1939-40 and the work of four small banks is at a standstill. As a rule central banks have won the confidence of the public but the small banks find it difficult to raise deposits at reasonable rates and have to look to other banks for accommodation under inter-moneylending arrangements in the absence of a Provincial Co-operative Bank. In the past, these arrangements worked smoothly but with the recent development programme they have proved halting and unhelpful.

**Expansion Programme.**—The movement has made rapid strides, both in the credit and non-credit spheres, during the last five years requiring large funds for investments. Until recently, we had single-purpose societies with a limited membership. Our new societies are now to be multi-purpose organisations with larger membership. They will thus have a variety of activities such as credit, marketing, better farming, better living, on the one hand, and purchase of domestic requirements on the other. A beginning has already been made with the marketing of agricultural produce and a number of central banks are not in a position to find adequate funds for financing the operations. Then, there are ghee and milk societies, societies for cottage industrialists and industrial stores which all need money for their expanding activities and find difficulties in having it from central banks.

**Scheme for a Provincial Co-operative Bank.**—The big drive launched by the co-operative department on the lines approved by Government necessitated the early formation of a Provincial Co-operative Bank. A scheme for establishment of the bank was drawn up in 1939-40 in consultation with the Reserve Bank of India and was discussed in the meetings of the Provincial Committees of the United Provinces Co-operative Union. The bank was to have an authorised capital of Rs. 25 lakhs, divided into 50,000 shares of Rs. 50 each. The issued capital was to be Rs. 7 lakhs to be paid in full. To start with, it was also proposed to have

a Land Mortgage Department on the Bombay Model as an annexe to the Bank. Shares of the value of nearly Rs. 3 lakhs were promised by co-operators and co-operative institutions. Government had approved the scheme and had provided in the budget Rs. 50,000 for meeting the preliminary expenses, establishment and other charges of a non-recurring nature. They were further expected to subscribe to a number of shares and guarantee payment of interest and principal so far as debentures were concerned. It has, however, not been possible to go ahead with the scheme for sheer budgetary reasons at the present time.

**The Unitary Type.**—As the scheme of the Provincial Co-operative Bank has been postponed for the time being, I would suggest that the constitution of the proposed Provincial Bank be based on the lines different from those laid down in the original scheme. The Bank might be given the constitution of the unitary type as opposed to that of the affiliated one. In other words, the resources of all central banks, including share capital, reserve and other funds may be pooled together in the Provincial Bank for due administration. The Board of Directors of the existing central banks may continue to function on behalf of the Provincial Bank within their respective jurisdiction. Thus, the Provincial Bank will command a share capital and reserve fund of over Rs. 40 lakhs taken together at the very inception and attract greater confidence from the investing public. It will also be easier for it to weather panic in any particular area without affecting the whole movement. Besides conferring all the benefits of an affiliated type of Provincial Bank, the unitary type will, have several additional advantages, such as cheaper credit, economy of management, greater security for depositors, elimination of the chances of competition and better dividends etc. Such an institution will ever be a source of strength to the movement welding together all the different organisations into a stronger whole and will, in my opinion, be more co-operative in its texture.

## LONG-TERM PRODUCTIVE CREDIT IN AGRICULTURE

### Report of the Madras Committee on Co-operation

By

K. C. RAMAKRISHNAN,

*University of Madras.*

Madras has in the last twelve years organised a system of long-term credit for agriculturists, which has elicited high praise from co-operators all over India. No Province or State is anywhere near Madras in respect of the number of primary land mortgage banks working (which are now 120) or in the number of villages where they have financed landholders (4500 villages are now actually served, but they are meant to serve in due course 17,250 villages) or in the volume of loans granted (Rs. 5 crores so far which may rise by half a crore every year) or in the rate at which debentures are successfully floated by the Central Mortgage Bank (3 per cent before the War and 3½ per cent now) or in the rate at which loans are granted to ultimate borrowers in primary banks (5 to 6 per cent and now 6½ per cent).

The Vijayaraghavacharya Committee, while fully appreciating this rapid development of land mortgage banking in Madras in a period of depression, pointed out that "this has just touched the fringe of the problem of rural indebtedness"—which for the Province was last estimated at Rs. 210 crores, of which 47 per cent was said to be mortgage credit. The Committee recommended a five-year plan of expansion of land mortgage banks with a view to cover the whole Province with at least 200 banks by 1945 on the basis of at least one bank for every revenue taluk in the irrigated tracts, and one bank for every two or three taluks in dry areas like Ceded Districts, which are at present very poorly served. With regard to the latter, accommodation is sought from the Famine Relief Fund of the Government, as debentures may not be easy to float for the duration of 30 to 40 years, which is necessary in a tract where annual repayments cannot be expected on account of the precariousness of rainfall. Improved irrigation facilities, particularly sinking of wells and conservation of moisture by dry farming methods, are advocated alongside of provision of credit, as that alone 'does not touch the core of the malady from which the people of these tracts suffer.'<sup>1</sup>

1. Report of the Committee on Co-operation in Madras, p. 101.

Madras has had the advantage of starting land mortgage banks in a period of depression when prices of produce and values of land had already fallen, so that any estimate of repaying capacity was bound to be low and err on the side of caution. Rights on land too are clearer in the ryotwari areas of this Presidency than in most of the North Indian Provinces. The earlier land mortgage banks were almost all organised in the irrigated deltaic and river valley tracts, where the failure of crops due to adverse seasons is practically unknown. But it is not merely these economic and physical factors that account for the phenomenal success of land mortgage banks in Madras, but the tender care and constant vigilance exercised by the far-seeing President of the Central Land Mortgage Bank, the late Sir M. Ramachandra Rao backed by his colleagues on the Board, and supported by the full sympathy of the Government of Madras who lent the services of their officers to the banks and guaranteed the payment of principal and interest to debenture holders which made them Trustee Securities. The Legislature conferred special powers on banks for the sale of lands or that of produce in default of repayments.

The working of land mortgage banks in Madras has been fairly smooth all these years in spite of the warnings uttered by well-meaning and experienced critics in other Provinces that with age might appear signs of deterioration. There have been practically no overdues from primary banks to the Central Land Mortgage Bank though in some of the primary banks—particularly in older ones—borrowing members have defaulted, which is nothing surprising in a period of unparalleled depression. Difficulties may arise in foreclosure in villages not ridden by faction, and it may not be easy for land mortgage banks to manage or supervise the cultivation of land that falls into their hands. More disturbing in recent years has been the tendency of several borrowers to return far in advance of the period of maturity the loans that had been taken presumably for twenty years. The whole scheme of long-term credit is bound to be upset and the problem of finding profitable investment for advance collections far in excess of the requirements of the sinking fund will grow more acute, if more borrowers thus trifle with the system of long-term credit. This is an aspect of working of land mortgage banks which has not received adequate attention at the hands of the Committee.

## II

A fundamental defect in the working of the land mortgage banks in Madras is, as the Committee themselves say; "practically all the loans advanced to the banks are for the purpose of discharging old debts of

borrowers." The by-laws provide for the grant of loans not only for the redemption of mortgages and discharge of prior debts but also for the improvement of land and methods of cultivation and for the purchase of land in cases where the members can round off their holdings and work them economically. It is not clear to what extent, if at all, loans have been given for such purchase of land. In advanced agricultural countries purchase of land was a common, or even the dominant, purpose for which loans were granted by land mortgage banks. In fact many of the banks were organized, particularly in Eastern Europe after the last Great War, to enable the tenantry to acquire by purchase of land an independent status and the facilities to work the land more intensively to their own profit.<sup>2</sup>

It is not as though the Madras ryots were averse to purchasing land, if an opportunity was offered and loans could be had. Not only in the boom period after the last war, but even during the dreadful depression between 1930 and 1937 when enquiries were made by Resettlement Officers in select villages it was found that the percentage of loans for purchase of land to total loans was 64 in Salem hill villages, 44 in the southern taluks of Salem, 42 in Guntur delta, 35 in Guntur uplands and 30 in Nellore delta.<sup>3</sup> Perhaps many of these were cases of mere land grabbing without any thought of economic returns and few were genuine cases of acquisition of land for making the holding economic or compact. It would have been helpful if a detailed enquiry had been made of this phenomenon and recommendations framed. But the Committee content themselves with the halting conclusion: "There may be, and there probably are, special cases where a bank may be justified in giving a loan for purchase of land; such cases can be decided on their merits. But in present circumstances we refrain from making a general recommendation."<sup>4</sup>

Any scheme of consolidation of holdings would entail the need for payment of cash on the part of some to others and would also make it worth while for improvements to be effected on the consolidated holdings such as sinking of wells, putting up enclosures etc. The Committee on Co-operation found fragmentation and subdivision of holdings in the Province 'noticeable' but they echoed the long familiar official view that "the problem in Madras has not been acute, and consequently no

2. Report on Systems of Agricultural Credit and Insurance by L. Tardy, p. 5.

3. Report of the Committee on Co-operation, p. 74.

4. *Ibid*, p. 107.

widespread desire for the consolidation of holdings and for capital to finance the process of consolidation."<sup>5</sup>

After an examination of all the data made available to the public by the Board of Revenue and other bodies, we feel that there has been no adequate enquiry, official or non-official, on the fragmentation of holdings over any wide area in the Presidency. There is no use relying on impressions or inferences drawn from isolated investigations. The inadequacy of data collected so far and the apathy of the Provincial Government in the matter were commented upon by Mr. K. G. Ambe-gaoker, Officer in charge of the Agricultural Credit Department of the Reserve Bank of India, in the course of an able paper surveying the situation in different provinces. He observed "the lack of exact knowledge regarding the extent of fragmentation is mainly responsible for the apathy towards consolidation. The first duty of the investigator is therefore to obtain such information by actual investigation on the spot where the Government does not admit the evil."<sup>6</sup>

Lending for the clearance of prior debts has no doubt the sanction of tradition, much more than that for agricultural improvements, in land mortgage banks in western countries. Nicholson pointed out that the European peasant wanted long-term credit not so much for the improvement of land or of agriculture, but for the purchase of land, paying off co-heirs, clearance of usurious debts.<sup>7</sup> The German Landschaften and other mortgage banks were, according to J. R. Cahill, granting long-term credit without requiring any declaration of the purpose of the loan. There were other institutions—Land Improvement Funds, Land Improvement Annuity Banks, Provincial Aid Banks, Imperial Insurance Institutions—which granted credit for specific land improvement or farm buildings. There were also Rent Charge Banks which granted loans for the creation and equipment of small holdings, especially organised for those who wished to redeem burdens or servitude which still attached to the possession of their holdings. However, the loan transactions of these improvement or equipment banks were insignificant by the side of those of the Landschaften.<sup>8</sup> It is not merely the attitude of mind of the peasant that accounts for small loans for improvement of land. The fact is that in older countries most of the

5. *Ibid*, p. 105.

6. Proceedings of the First Conference of the Indian Society of Agricultural Economics, 1940, p. 32.

7. Report on Land and Agricultural Banks, Vol. I, p. 43.

8. Agricultural Credit and Co-operation in Germany, pp. vi-viii.

land would have been already improved by generations of farmers in the past and the scope for improvement is much less than in newer countries.

It is not, however, quite correct to say, as Nicholson said, that in few of the European countries, in which he included Denmark, "does agricultural improvement find any place as a cause of indebtedness, except in so far as the pressure of population and foreign competition are forcing intensive cultivation and hence the purchase of machinery, manures and seeds" and that "it is a grave error to suppose that he (the European peasant) any more than his Indian confrere is thirsting after credit with a view to land improvement."<sup>9</sup> We find Mr. C. F. Strickland, writing after a visit to Denmark etc. 30 years later, expresses quite a different view. Increase of rural population led to a further break-up of the estates, and in order to facilitate the transfer of land the Danish Land Mortgage Credit Associations were founded from 1851 onwards, when the agricultural revival of Denmark really began. "The object for which a Dane borrows is usually the purchase or development of property. For this purpose the associations are originally created and in its fulfilment they have become extremely popular and useful." Fifty per cent of the Danish farms are under mortgage, and no strenuous effort is made to pay it off, since intensive cultivation involves the outlay of a relatively large capital per acre and a mortgagor is enabled both to buy and to work a larger farm than his unaided means would place within his reach. Advances for other objects are given, but less frequently.<sup>10</sup>

We learn that the Federal Land Banks of the United States, organised as late as 1916, have been advancing long-term loans, for periods of 5 to 40 years at the option of the borrowers, up to 50 per cent of the value of land and 20 per cent of the value of improvements on it. Loans have been limited to the following purposes:—(1) for the purchase of land for agricultural purposes; (2) for the purchase of equipment, livestock etc.; (3) for the improvement of farm-land and building of farm houses; and (4) for liquidating old debts incurred for agricultural purposes. There were, no doubt, a large number of foreclosures in the depression period following the post-war boom, which was inevitable under any system. But the Federal Land Banks have undoubtedly helped in improving farming practices. They have tried to

9. Report on Land and Agricultural Banks, Vol. I, p. 43.

10. Studies in European Co-operation, Vol. II, pp. 25 and 41.



educate farmers to better agricultural methods and "in many cases to enforce their suggestions by making them a condition for the granting of loans." They insisted on measures against erosion and the like.<sup>11</sup>

Professor J. P. Niyogi seems to question the wisdom of the principle laid down by the Agricultural Credit Section of the Reserve Bank of India that the main purpose of long-term loans raised on the security of land should be the improvement of the land itself. He cites authority to show that even in the United States, 'the home of progressive farming,' of the loans granted by the Federal Land Banks from their inception upto the end of 1930, as much as 77 per cent was for the repayment of old debts and only 8 per cent was for improvements.<sup>12</sup> The fact is that in the United States from the very year of the inauguration of the land banks in 1917, agriculture has had to pass through one crisis after another: the boom in prices of produce and land values in 1917 to 1920, the decline in prices from 1920 to 1925, the collapse of prices thereafter, the fitful recovery since then as a result of gigantic schemes of rehabilitation. All these introduced such rapid and drastic changes, which a long-term credit institution would not be able to face, without deviation from principles laid down for the long run. Stabilisation of status or at least rehabilitation after fall had to be undertaken as the foremost duty of the land banks and other credit institutions which cropped up one after another in quick succession and they, on the whole, reduced the debt burden of many of the farmers, on an average by 50 per cent, as is shown in a recent contribution on Agricultural Credit in the United States by E. C. Johnson of the Farm Credit Administration. After reviewing the policies and practices followed in the past in extending credit to farmers he observes: "it is obvious that too much attention has been paid to the value of the collateral securing a loan, and insufficient attention given to analysing the income of the farmer as an indication of his ability to repay the loan. This emphasis on collateral has resulted in excessive lending during periods of rising prices and in difficulties during periods of low prices, when debts became a heavy burden." He concludes "more careful analysis by creditors of applications for loans to determine whether the funds desired can be used to advantage and can be repaid from farm earnings will do much towards developing a more stable agricultural situation."<sup>13</sup> The experiments in long-term credit in the United States offer indeed as much a warning as an example.

11. Belshaw, H., *Provision of Credit in Agriculture*, p. 149.

12. *The Co-operative Movement in Bengal*, p. 168.

13. *Year-Book of Agriculture*, (U.S.A.), 1940, pp. 752-4.

Dr. C. R. Fay says that "mortgage-lending should be highly selective. Even if it is used in part to pay off prior debts, he urges, the borrower should be required to give evidence that the redemption will lead to the improvement of the land."<sup>14</sup> There are surely some vital differences between the prior debts of members in our mortgage banks and those of their counterparts in western countries. Most of the prior debts of the latter were due to the purchase of land, sometimes at boom prices, and its improvement, while our ryots have borrowed more for marriage and other festivities, house building beyond their means, litigation, and recently for local election expenses, though the returns for the latter are difficult to get. A frank and full analysis of the causes of prior debts which are being redeemed by our land mortgage banks may be revealing. Students of the subject would also like to know how far land mortgage banks have helped the actual owner-cultivators instead of the land-owners, who do not farm the land themselves or even supervise it.

Sir George Bracken, Finance Member of the Government of Madras in 1936, expressed grave doubts as to the utility of the single purpose for which almost all the loans were granted by land mortgage banks in our Province. He said "Let us be under no illusion. The remedies we are attempting are in the nature of palliatives, rather than final solutions. The consolidation of debts as long-term mortgages on easy terms is, of course, a very real benefit to the debtor. But the debt or most of it remains and much of the debt is, I fear, of an unproductive nature. That, I am afraid, is a weak spot in the present working of land mortgage banks, that so much of the money lent is for past debts of an unproductive character, and so little for financing productive expenditure, such as land improvement, consolidation of holdings and so on".<sup>15</sup> Nearly five years have passed since these words were uttered, and yet with the best of intentions few or no loans have been granted for the improvement of land or its equipment.

### III

The public thought that the legal doubt whether a loan advanced for effecting improvements on land could bind the sons and other coparceners of the borrower in a Joint Hindu family had been cleared by the legislative protection given in Section 32 of the Madras Land Mortgage Banks Act (1934). "The improvement of agricultural land or the

14. Co-operation at Home and Abroad, Vol. II, p. 380.

15. *The Indian Co-operative Review*, 1936, p. 721.

methods of cultivation shall not be regarded as purposes not binding on a member of a Joint Hindu Family." To our amazement we are now told by the Committee, and a few who have answered the questionnaire on the subject, that the legal difficulties in the way of productive loans still persist, and that the Section does not afford adequate protection to lend for the purpose and that further amendment is necessary.<sup>16</sup> We trust that this will be done at the earliest opportunity the Provincial Legislature gets, as there is an amount of goodwill all round on the question of land and agricultural improvements.

A more serious impediment, however, is the system of equal inheritance of land among the sons in Hindu families (and also among daughters in Mohammedan families) which has resulted in excessive sub-division and fragmentation of holdings. If no holding can be safe from such a break-up for twenty years at a stretch, it is vain to lavish long-term credit on the improvement of the holding. We can understand, in the circumstances of our country, the reluctance of the Committee on Co-operation to recommend the extension of the duration of mortgage loans from twenty to thirty years. For, apart from the lack of attraction of thirty year debentures to the investing public, the Committee had a natural fear that "to lend for so long a period may result ultimately in endless difficulties with coparceners and the like."<sup>17</sup>

The demand for genuine land improvement loans has indeed been very limited, not only among members of land mortgage banks but also among others in this country, partly because of the laws of inheritance, and partly because of general apathy and ignorance of the scope and facilities for improvement. The Royal Commission on Agriculture pointed out that "while there is some demand for facilities to repay old debts or redeem mortgages, there is no very strong demand for long-term money for land improvements. Land mortgage banks will neither fill a gap nor meet a long felt want.....their greatest service may be the lowering of interest to a level which will bring many improvements within the class of productive works."<sup>18</sup> In connection with the working of the Land Improvement Loans Act, Local Governments were said to have been willing to provide more funds if there was a real demand for such works. There was, no doubt, avoidable delay in the enquiry

16. Report of the Committee, p. 123. Evidence tendered by the Madras Provincial Co-operative Bank and Mr. M. Giriappa, Vol. II of Replies to Questionnaire, pp. 715 and 724.

17. Report of the Committee, p. 108.

18. Report of the Commission, p. 466.

before granting loans, some leakage before the funds lent reached the borrowers and there was some rigidity in the recovery of instalments due, inevitable in any system of state administration.<sup>19</sup> But these were not the only reasons for the failure to have greater recourse to state loans for land improvement. The Commission came to the conclusion: "what is lacking is not so much capital for land improvements as ideas for utilising it for productive purposes."

The Land Improvement Loans Act recognised a wide variety of purposes for which long-term loans could be granted; reclamation and clearance of land, enclosure, construction of wells, tanks and drainage works, and such other works as the Local Government may notify from time to time. Apart from inertia and initial difficulties, often insuperable, there is an element of gamble in the undertaking of some of these works, which is one reason why only a few resort to these loans. On the other hand, recovery is bound to be rigid whether the project succeeds or not. The officers of the Revenue Department, to whom has so long been entrusted the work of administering the Land Improvement Act, have not exerted themselves in any marked degree to popularise these loans. It may be that these overworked officials are not to blame for the inconsiderable sums granted as loans every year. We indeed expected that they would be anxious to be relieved of the responsibility. The Board of Revenue, however, in their evidence to the Committee on Co-operation claim that "the Revenue Department is the best agency for administering the improvement of land" and say "no other agency need have anything to do with them." It is their view that if land mortgage banks were to enter the field "there may be an overlapping of securities"<sup>20</sup> which should be avoided. This is an amazing attitude to take for a Department which has done so little in the past to promote land improvements and is itself technically ill-qualified to advise the ryots. It seems to view the move of the land mortgage banks to lend for land improvements, on well-ascertained technical advice, as an encroachment on its own legitimate field. The Committee on Co-operation have paid little heed to this viewpoint but recommended that the grant of loans by the Government (i.e. the Revenue Department) should not be encouraged in areas adequately served by land mortgage banks.<sup>21</sup> The latter, however, must not stop with expressing goodwill and doing little. An active enquiry must be made of the scope for such improvements and loans granted to the really capable ryots.

19. Report of the Madras Banking Committee, p. 97.

20. Evidence, Vol. II, p. 723.

21. Report, p. 106.

It is a pity that on a very vital subject, the reclamation of cultivable wastes, we have so little precise data on either the quantitative or qualitative aspects, in spite of the increasing pressure of population on the soil and the imperative need to extend the area of cultivation. The illusions about vast areas of cultivable wastes would considerably decline with the knowledge that the figures have been derived by mere subtraction of the other classes of land from the total area; and they represent "unassessed wastes" which may or may not be cultivable. Many of these pieces or so-called cultivable wastes lie scattered in fragments not fit to be tackled by modern methods of reclamation by machinery and not amenable to control by one agency. The Committee on Co-operation observe in connection with agricultural colonisation on a co-operative basis, that "most of the land which is really fit for cultivation but unoccupied is limited and is in tracts where extensive and expensive reclamation is needed." Cultivable wastes also remain in the hands of private owners unused, because of malaria or of ravages of wild animals or want of transport. The most important limitation in tropics is the scantiness of rainfall or other methods of irrigation. The first of the recommendations of the Committee as regards reclamation and colonisation is an intensive investigation, at least in districts where large blocks of cultivable land are available for assignment. They also recommend that the Government should undertake at its own expense all the measures necessary to make the land fit for cultivation and the locality fit for habitation including the provision of roads, building of dispensaries, and that assignment of land should be made to co-operative societies and not to individuals.<sup>22</sup> We are not sure whether any Government will in the near future undertake this multifarious responsibility and convert itself into not merely an owning but an improving landlord. But where the proposition is attractive to individuals with some daring and enterprise and expert opinion is favourable, land mortgage banks may venture to give long-term loans for reclamation.

In connection with the sinking of wells, which is the most popular form of land improvement in this Province, a number of careful enquiries are called for. The Royal Commission on Agriculture suggested an enquiry as to "why the pace of improvement is so slow, why more wells are not being sunk in areas in which they are said to be profitable; or, to put it differently, why the wells sunk last year were not sunk five or fifteen years ago".<sup>23</sup> As regards wells to be sunk, it is necessary to examine how far "the difficulty of the cost of

22. *Ibid.*, p. 286.

23. Report, p. 428.

construction, the tenure on which the land is held, the fragmentation of holdings, disputes among co-sharers, the uncertain return on capital invested and the power available for lifting water—all these have either alone or in combination proved limiting factors.”<sup>24</sup> Systematic surveys of sub-soil water supplies, which will enable more definite and reliable advice to be given on the probabilities of finding water are long overdue. Again, on the subject of lifting water for irrigation from wells, the relative economies of bullock-power, of oil or gas and of electricity in particular circumstances should be carefully studied and correct advice on the utility of installation of power-machinery should be made available to parties and to the land mortgage banks which are disposed to lend for the purpose.

The economic prospects, as well as the technical possibilities, should be investigated of the conversion of arable land, dry or even wet, into ‘garden land’ where horticultural products could be raised, for which there is a slowly growing market in the country. If the land mortgage banks lend funds for the growing of tree crops, like the cocoanut, the cashew nut, the mango and citrus varieties, they should not insist on the payment of equated instalments from the very first year. Repayments should begin at the end of two or three or even five years and instalments too may be graduated so as to grow with the possible growth in income.

The duration of the loan need not be as long as twenty years in all cases; for the income varies with the nature of each purpose and the circumstances of each individual borrower. There is nothing scientific or sacrosanct in the twenty-year period, though we agree with the Committee that in this country it is better not to extend it beyond twenty years for reasons already stated. There is no reason why it should not start from five years and go up to twenty years, even as such variation is permitted by land banks not only in foreign countries like the United States but in other Provinces in India. The Committee have ably argued the case for medium credit, extending from three to five years and in exceptional cases to seven years. Here is a gap to be filled between 5 or 7 years and 20 years. They recommend that land mortgage banks may fill the gap and lend from 6 to 20 years, floating debentures for periods of 5, 10, and 15 as well as for 20 years.<sup>25</sup> This would incidentally solve the problem of finding profitable as well as dependable outlets for the collections received

24. *Ibid*, p. 347.

25. Report, p. 108.

from borrowers every year of repayments of principal instalments, which have had to be invested in securities with fluctuating market values and fetching lower rates of interest than those payable on debentures.

The provision of credit for such intermediate periods may help to establish dairy farming on business-like lines. There is no doubt that there is a growing unsatisfied demand for dairy products not only in the populous urban centres but in comparatively flourishing rural tracts. The purchase of first class dairy animals and the equipment needed to maintain them require credit not so much of the short or long-term types but of the intermediate type for five to ten years. Specialisation in dairying may be ruled out in most cases in this country; but mixed farming with dairying as one of the lines is better suited to our conditions of cultivation and consumption. Land mortgage banks will be rendering a great service to the country and to the agriculturists by undertaking in earnest the financing of improved dairy-farming and the marketing of milk and milk products after hygienic handling and scientific processing. Of all the agricultural processing industries in western countries, it is the dairy industry into which co-operative organisation has penetrated farthest. The dairy industry in India may not develop on the same lines; but investment in livestock, farm land and farm building, and processing machinery will all be needed, and long-term credit will be necessary for such development. May we not look to our good land mortgage banks to help in building up a rational dairy industry suited to the country's needs?

## THE MADRAS CO-OPERATIVE CENTRAL LAND MORTGAGE BANK

By

RAO BAHADUR C. GOPAL MENON, A.I.B. (LOND.)

Several schemes for raising long-term capital and the issue of long-term loans were considered by the Government of Madras and the Co-operative Department from time to time. But no definite conclusions were arrived at for some reason or other. It was in the year 1925 that a scheme for starting primary land mortgage banks in the Province was sanctioned by Government. The main features of the scheme were: every primary land mortgage bank was authorised to issue 20 year debentures to the extent of 8 to 10 times its paid up capital, fixation of the maximum loan for an individual at Rs. 1,000 with a further restriction that it should not exceed 50 per cent of the market value of the mortgaged land, and the appointment of the Registrar of Co-operative Societies as Trustee of the banks to see that the obligations to the debenture holders are fully carried out. To encourage the investing public to purchase these debentures the Government undertook to purchase these debentures to the extent subscribed for by the public up to a maximum of Rs. 50,000 in each bank. Two such land mortgage banks were started in 1925 and by June, 1927 there were ten land mortgage banks in the Province. Two or three of these banks were able to raise some money by way of debentures, while the rest could raise little or no money and remained practically dormant. It was felt that other arrangements had to be made if the scheme for supply of long-term co-operative credit was to be made available to the ryots of the province. A meeting of the representatives of the existing land mortgage banks was held at the office of the Registrar of Co-operative Societies on 14th November, 1927. This meeting was attended by the members of the Committee on Co-operation presided over by Mr. Townsend, who were then holding their enquiry into the state of the co-operative movement in the province. The meeting agreed that in view of the impossibility of getting adequate funds by offering debentures locally even at 7 per cent, a Central Land Mortgage Bank at Madras should be formed with an influential directorate to float debentures on the assets transferred by primary land mortgage banks and to finance them. The main features agreed upon at the conference were that the Co-operative Central Land



Mortgage Bank, should be composed of primary land mortgage banks as well as individual share holders, that the working capital of the Bank should be twenty times the share capital and reserve fund, and that there should necessarily be a Trustee to the Central Land Mortgage Bank, to look after the interests of the debenture holders. The meeting felt that the mere formation of a central agency may not attract enough capital and decided to request the Government to guarantee interest on all debentures issued during the first five years, for the full period of such debentures or in the alternative to take debentures at least to 50 per cent of its requirements. It was further agreed at the meeting that the Government should continue the inspection and audit work in the initial stages.

The Royal Commission on Agriculture also stated that "the system of issue by separate land mortgage banks would invariably result in a number of small institutions flooding the market with competing issues, control would become difficult, the security offered would be low, the interest rate would be forced up in consequence of this and the competition from purchasers and there would always be the danger that the whole system of debentures would be brought into disrepute by the mismanagement of a single institution". For these reasons, among others, the Commission recommended that the formation of a Central Land Mortgage Bank was an imperative necessity. The Townsend Committee recommended that the main features of the proposed Co-operative Central Land Mortgage Bank, should be, that the bank should be composed of non-borrowing individual members and primary banks, that the raising of working capital should be by the issue of debentures only which should be secured on the floating charge on all the assets of the Central Land Mortgage Bank, that the bank should give loans only to land mortgage banks and that provision should be made for the disposal of collections either by the creation of a sinking fund or by the bank purchasing its debentures at par in the open market or by periodical redemption of debentures by drawing of lots after due notice. Based on the recommendation of the Townsend Committee and as a result of the discussions held by the Minister in charge of Co-operation with the Registrar and prominent co-operators, the Government of Madras sanctioned the formation of a Central Land Mortgage Bank and obtained the permission of the Legislative Council by a resolution passed on the 17th October, 1929 to guarantee interest at 6 per cent on debentures issued by the Central Land Mortgage Bank in the first five years, up to a maximum of Rs. 50,00,000. The Government also deputed two Deputy Registrars and ten Sub-Registrars to look after land mortgage bank work. The Madras Co-operative Central Land Mortgage Bank was thus registered

on the 12th December, 1929 and was authorised to commence transactions from that day.

**Membership and Share Capital.**—Under the the bylaws the membership of the bank is open to individuals and primary land mortgage banks. In 1934, the bylaws were amended to enable the Government of Madras to take shares and become a member of the Bank. The Government took five shares and are transferring two of them to one of the two persons nominated by them to the Board of Directors of the Bank.

In the original bylaws the authorised share capital of the bank was fixed at Rs. 10,00,000. It was recently raised to Rs. 20,00,000 made up of 20,000 shares of Rs. 100 each, fully paid up. The bylaws originally allowed an individual member to take shares up to an extent of Rs. 5,000. In 1934, the maximum holding of an individual was limited to shares of the value of Rs. 2,000. There was no restriction as to the number of shares that a primary land mortgage bank may take in the Bank. But under the subsidiary bylaws every bank is required to take at least one share for every sum of Rs. 5,000 it borrows from the bank. A statement showing the number of members and share capital on the 30th June every year since the bank was started is appended. The paid up capital of the bank on 30th June, 1941 was Rs. 9,35,100.

**Management.**—The original bylaws provided for a Board of Directors consisting of 12 members, 5 directors elected by individual share-holders, 5 directors elected by representatives of member banks, the Registrar of Co-operative Societies—Ex-officio—and one individual member nominated by him. The number of members of the Board was raised from 12 to 15 in 1934 and later to 18. The present Board consist of 18 members, 6 members representing individual share-holders elected by them, 9 representing primary banks elected by representatives of share holding banks, one individual share-holder and another person nominated by the Registrar of Co-operative Societies, and the Registrar of Co-operative Societies, Ex-officio. The first set of directors were nominated by the Registrar of Co-operative societies. Dr. S. Swaminathan, Bar-at-law, was elected President, Mr. (later Sir) M. Ramachandra Rao, Vice-President, and the writer of this article as the Treasurer. Dr. Swaminathan died soon after and Sir Ramachandra Rao was elected President on 5th January, 1930. On 16th July, 1930 the nominated Board went out of office and the first elected Board took charge on that date. Sir M. Ramachandra Rao held the office of President from 5th January, 1930 to 16th May, 1936, when he died. Sri T. A. Ramalingam Chettiar, then Vice-President, was elected President and continues to occupy this responsible office. The writer of this article has continuously been

the Treasurer of the Bank except for a short period when he held the office of the Vice-President.

The sanctioning of loans and other day-to-day administration of the bank is carried on by an Executive Committee constituted by the Board consisting of the President, the Vice-President, the Treasurer and two more members of the Board and the Registrar of Co-operative Societies. If neither of the Registrar's nominees is not on the Executive Committee the Registrar nominates one of them to the Executive Committee when it consists of seven members.

**Procedure in the grant of loans.**—The primary object of the Bank is to finance land mortgage banks in the Province. The objects for which the latter lend monies to their members are: redemption of mortgages on agricultural land, the discharge of prior debts, the improvement of agricultural land and methods of cultivation and the purchase of lands in special cases to round off one's holding. For securing a loan from a primary bank a member has to apply to the bank in the prescribed form giving all details of his assets and liabilities, and file documents of title to the property to be mortgaged. The supervisor of the bank and a director deputed for the purpose, inspect the fields and draw up a report assessing the value of the land with reference to sale values of neighbouring plots in recent times and actual state of yield from the proposed hypotheca. The capacity of the applicant to repay the loan from his income after payment of *kist* and meeting other expenditure is assessed. An encumbrance certificate in respect of the proposed hypotheca is obtained. The documents of title, the encumbrance certificate, the reports of the supervisor and the director are then sent to the legal adviser of the bank who prepares a report on the validity of the borrowers' title to the lands. After the legal adviser's report is received, the whole file is handed over to the Co-operative Sub-Registrar in charge of the Bank, who investigates every detail, inspects the lands personally, assesses the value of the land and repaying capacity and gives a report on the desirability or otherwise of sanctioning the loan. The Board of Directors of the primary bank then sanction or reject the loan. All applications sanctioned are sent to the Deputy Registrar for Land Mortgage Banks who forwards them with his recommendation to the Central Land Mortgage Bank. The title and other details are checked in the office of the Central Land Mortgage Bank and placed before the Executive Committee of the Bank. On receipt of intimation of sanction, the primary banks obtain mortgage bonds from the applicants and assign them to the Central Land Mortgage Bank. The bonds are verified in the Central Land

Mortgage Bank and loans disbursed to the primary banks, who in turn disburse them to the borrowers.

Loans are sanctioned up to 50 per cent of the estimated value in respect of wet and well-aided lands, 25 to 30 per cent in the case of systematically cultivated rain-fed lands. The lands are revalued every year in order to see that the loan continues to be adequately secured.

It took time for the primary banks as well as the applicants for loans to understand the requirements of the Central Land Mortgage Bank before it could sanction a loan. The rigid standard set up in the matter of valuation of properties and estimation of repaying capacity left many applicants and the primary banks disappointed. The Bank was started in the wake of the world economic depression, when prices of agricultural produce and of land were tumbling down. Agriculturists who were thinking still in terms of the pre-depression period felt that the Bank was unduly hard in the matter of valuation and estimation of repaying capacity. The investigation of title, which required that the applicant should file all documents cited in the encumbrance certificate in the last 24 years, was another source of irritation and the cause for great delays. The bank was accused of abnormal delays in the sanction of loans. It took some years even for persons who ought to have known better to understand that, having regard to the nature of the business and the character of the institution it was not possible to relax the conditions for speedy sanction of loans.

**Progress in Transactions.**—When the Central Land Mortgage Bank was organised, there were only a few primary banks which were actively functioning; all the others were in a dormant condition. It took time to resuscitate some of them and start more in other areas. So the loan transactions of the Bank developed slowly in the first few years but rapidly increased thereafter as is shown in the following table.

Year. (From July to June)	Amount disbursed by the C.L.M.B.	Year. (From July to June)	Amount disbursed by the C.L.M.B.
	Rs.		Rs.
1929-30	42,200	1935-36	31,96,490
1930-31	5,04,490	1936-37	39,18,115
1931-32	6,44,060	1937-38	35,79,185
1932-33	10,80,975	1938-39	58,52,865
1933-34	14,77,635	1939-40	42,81,940
1934-35	19,99,960	1940-41	40,77,760
			<b>3,06,55,675</b>

The disbursement of loans during the year 1936-37 reached the record level of Rs. 58,52,865. In December, 1937 the Congress Government published the Agriculturists Relief Bill providing for scaling down of the debts of agriculturists. As the bank was largely lending for redemption of prior debts and as the prior debts were affected by the proposed legislation, the bank had to suspend operations till the bill became law in March, 1938. The amount due by each applicant had to be ascertained as per the terms of the Act. The revision of the amounts and obtaining the consent of creditors to accept the amount as scaled down under the Relief Act took some time and so there was a fall in the business in 1937-38 when compared with the business of the year 1936-37. The accumulated applications of 1937-38 and the large influx of applications from agriculturists who wished to take advantage of the Relief Act and pay off their dues to the former creditors accounted for the great increase in the business of the bank in 1938-39.

Prior to the outbreak of the war in September, 1939, the bank experienced some difficulty in finding the requisite funds for its transactions by issue of debentures. Those were days when the loans of the Commonwealth of Australia and of the London County Council proved to be great failures. On the outbreak of the war in September 1939, the Government of Madras, which had been giving temporary accommodation to the Bank for issue of loans to be repaid on flotation of a debenture loan by the bank, intimated their inability to continue the accommodation any further. The Bank raised its borrowing rate on debentures from 3 to 3½ per cent. There was good response to the debentures and the Government agreed to continue the accommodation. The settlement of these problems took three to four months and till they were settled, the Bank suspended issue of new loans. On resumption of business the Bank decided to issue loans upto a maximum of Rs. 5,000 to an individual. Previously loans upto Rs. 10,000 had been issued in select areas. But these were discontinued as it was felt that it was better to serve a larger number of lower and middle class farmers than a few big landlords. This policy is partly responsible for the decline in the loan transactions in the years 1939-40 and 1940-41.

**Purposes of Loans.**—The purposes for which land mortgage banks can lend have been referred to above. So far the bulk of the amount has been lent for redeeming prior debts. These prior debts had been incurred for all sorts of purposes including purchase and improvement of land, marriages, education and litigation. The question of issue of loans largely for purposes of improvement of lands has been engaging the

attention of the Board for some time. The issue of loans for this purpose bristles with a number of difficulties. The nature of improvements should be approved by proper authorities and the improvements effected have to be properly estimated. The co-operation of the Departments of Revenue, Irrigation, Industries, Agriculture, etc.; is necessary, if it is to prove a success. The Board has recently resolved to approach the concerned departments for co-operation and to issue loans for land improvement. The real success of land mortgage banking in this Province will be achieved when the Bank is able to finance land improvement schemes. Apart from increasing the repaying capacity of members it is bound to add to the agricultural wealth of the country.

Cases have arisen where members, who have taken loans some years ago and cleared their then existing debts, have again applied for loans for clearance of debts incurred after the loan was taken. The security offered in some cases was land other than the hypotheca. The purposes for which debts were incurred again ranged over the whole field referred to above. The Board considered that there should be some restriction in the sanction of second loans and decided that they may be granted only for the following purposes:—

(1) All land improvement including irrigation facilities and others mentioned in the Takavi Manual, growing of fruit trees and plantations and installation of machinery, (2) Building of granaries and tobacco barns, (3) Purchase of land to round off holdings and (4) Extraordinary demands such as those due to famine or floods.

**Margin and Sinking Fund.**—From its inception the Bank retained a margin of one per cent between its borrowing and lending rates. The primary banks charged their borrowers one per cent above their borrowing rate so that the ultimate borrower was charged two per cent over the rate at which the Central Land Mortgage Bank issued its debentures. When the Central Land Mortgage Bank paid high interest rates on its debentures, the borrowers had to pay 6 to 8½ per cent on their loans. On the redemption of the high interest bearing debentures the banks were asked to reduce interest on those loans to the uniform rate of 6 per cent. When the Bank was able to still further reduce its interest rate on debentures to 3½ and 3 per cent, the ultimate borrowers were charged 5½ and 5 per cent on the respective loans.

Towards the end of 1937, on the advice of the Reserve Bank of India; the Government urged on the Bank the need for increasing the margin between its borrowing and lending rates to the ultimate borrower to 2½ per cent and reduce the rate of dividend to one per cent above the rate at which the debentures were issued last in that year, to enable

the bank to speedily build up its reserves. After a good deal of discussion the Bank agreed in April 1938 to the above two conditions. Thereafter the margin between the borrowing and lending rates to the individual borrowers was increased to  $2\frac{1}{2}$  percent. In March 1941, the Government again insisted that the margin should be increased to 3 per cent. The Board agreed to this also and the increased margin has come into force in May 1941. The present borrowing rate of the bank is  $3\frac{1}{2}$  per cent, its lending rate  $5\frac{1}{2}$  per cent and the rate of interest charged by the primary banks to their borrowers is  $6\frac{1}{2}$  per cent.

**Powers conferred by the Land Mortgage Bank Act.**—The success of land mortgage banking depends to a large extent on the punctual repayments of the borrowers. In order to ensure quick recoveries in the event of default provisions giving summary powers of distraint and sale of crops on the hypothecated land and sale of mortgaged properties without the intervention of the Court have been made in the Madras Land Mortgage Banks Act.

Under Section 9 of the Act if any instalment or part thereof fell in to arrears and remained unpaid for one month from the date on which it fell due, the mortgage bank may apply to the Deputy Registrar to distrain and sell the produce of the mortgaged land including standing crops thereon. Under Section 13 of the Act, where a power of sale without the intervention of the Court has been specifically conferred on a mortgage bank in the mortgage deed, it may, on the authorisation of the Central Land Mortgage Bank, bring the mortgaged properties to sale. If a mortgage bank fails to take action under sections 9 or 13 of the Act, the Board or Trustee may direct such bank to take such action or in the alternative may take such action themselves.

**Overdues.**—Except in one or two years after the starting of the bank there were no overdues to the Central Land Mortgage Bank from primary banks. The overdues from members to primary banks have also been negligible. On the 30th of June, 1941 the amount overdue to primary banks from members who defaulted in payment of the instalments was Rs. 11,992. The amounts due in foreclosed loans on that date amounted to Rs. 1,52,546. Only some of the loans foreclosed were for default in payment of instalments. Many had to be closed as the members alienated portions of the hypotheca by remortgage or sale. In such cases when the defect for which the loan was closed is rectified, the loans are being reopened. Compared to the amount of loans outstanding to the Central Land Mortgage Bank on 30th June, 1941 viz., Rs. 2,41,48,955, the amount overdue should not cause any concern.

**Debentures.**—Under the scheme embodied in bylaws the Bank has to obtain its funds mainly by flotation of debentures. Under Section 5 of the Madras Land Mortgage Banks Act, the Registrar of Co-operative Societies was appointed Trustee to the debenture holders whose duty it is to see that the Bank carries out its obligations to the debenture holders scrupulously and in time. The mortgages and other assets transferred by mortgage banks to the Central Land Mortgage Bank vest in the Trustee under section 5 of the Act. The powers and functions of the Trustee of the Bank are governed by an Instrument of Trust executed by the Board on the one hand and the Trustee on the other. The trust deed provides for the conditions of issue and redemption of debentures, the disposal of collections received from primary banks and other details.

With the previous sanction of the Trustee the Board may issue debentures secured on the mortgages and other assets transferred by mortgage banks and vested in the Trustee and on the other properties of the Bank. The holders of the debentures have a floating charge on all the assets of the Bank. But such charge shall in no way prevent it from disposing off or dealing with such assets in the ordinary course of business; only, no charge could be created on its assets, ranking in priority to or *pari passu* with the debentures except with the previous consent, in writing, of the Trustee. The total amount of debentures in circulation shall not at any time exceed the total amount from time to time owing on the security of mortgages and the amounts paid thereunder and remaining in the hands of the Trustee or of the Board.

The debentures of whatever series shall rank in the matter of security *pari passu* with one another. The debentures issued by this Bank are registered bonds and can be transferred only by means of a transfer deed executed by the transferor and transferee and registered by the Bank in its books. The transfer deed is exempt from stamp duty. The Bank issues a warrant on its bankers for the half yearly interest falling due from time to time. The principal monies secured by the debentures are payable by the Bank on the stipulated date or earlier if they fall due under the terms of the issue. Debentures issued prior to the coming into force of the Land Mortgage Banks Act were subject to the condition that the bank was at liberty to redeem any or all of them on three months' notice. The first eight series of debentures were issued prior to the Act. The ninth series was also issued with the condition of redemption on three month's notice and was soon redeemed. Debentures of the 10th to 23rd series were issued with the condition that in the first ten years from the date of issue the Bank could redeem them only to the extent of principal collections received from primary banks. After 10 years the Bank may redeem all or any of them on



three months' notice. Debentures of 24th and subsequent series were issued with the condition that in the first 10 years from the date of issue they were irredeemable and thereafter the bank had the option to redeem them.

**Government Guarantee.**—At the time the bank was started it was felt that in order to make the scheme a success it was necessary that the Government of Madras should undertake to guarantee payment of interest on the debentures to be issued by the Bank. With the permission of the Legislative Council the Government passed orders guaranteeing the interest on debentures issued by the bank in the first five years upto an extent of Rs. 50 lakhs. Even though the debentures were backed by first mortgages of immovable properties and the payment of interest during the currency of bonds was guaranteed by the Government of Madras, they were not Trustee securities within the meaning of section 20 of the Indian Trusts' Act. The efforts of the Bank and the Provincial Government to get them declared as Trust securities by the High Court proved futile. The Government of India who were approached to amend section 20 of the Trusts' Act finally agreed to include the debentures in the list of Trustee Securities, only if the Provincial Government agreed to guarantee unconditionally both the principal of and interest on the debentures. In the meanwhile institutions which were authorised to invest their funds only in Trustee securities were precluded from investing them in the Bank's debentures. The Madras Land Mortgage Banks' Act was passed by the Madras Legislative Council in March, 1934 and it came into force on 31st July, 1934. Under Section 7 of the Land Mortgage Banks' Act the Government took power to guarantee the principal of and the interest on the debentures issued by the Bank prior to the passing of the Act. Under Section 6 of the Act the Local Government may in consultation with the Legislature undertake to guarantee the principal of and interest on the debentures issued by the Bank after the passage of the Act upto a maximum amount fixed by them. Under Section 7 of the Act, the Government guaranteed debentures of the value of Rs. 24,08,900 in circulation on 15th November 1934. Under Section 6 of the Act, they agreed to guarantee, fully and unconditionally, both the principal of and interest on the debentures to be issued by the Bank upto a maximum of Rs. 50 lakhs. This limit has been extended from time to time by the Government. At present the Government have agreed to guarantee debentures issued by the Bank upto a maximum of Rs. 310 lakhs. In November, 1934 the Indian Trusts' Act was amended providing "that securities both the principal whereof and interest whereon, shall have been fully and unconditionally guaranteed

by any such Government shall be deemed" for the purposes of the Trusts' Act "as securities of that Government". The debentures of the Madras Co-operative Central Land Mortgage Bank, having been fully and unconditionally guaranteed by the Government of Madras, are now Trustee securities.

The debentures of the bank having been fully and unconditionally guaranteed by the Government and declared Trustee Securities, co-operative, as well as joint stock banks, advance loans on their security. The Reserve Bank of India, also, can have no objection to advance loans on the security of the debentures. The investors in the debentures are all genuine investors seeking long term investment such as, insurance companies, Local Bodies, and substantial individuals who will not need to rush to the market whenever there is any trouble in the stock exchange. It may therefore fairly be presumed that there will be no precipitate fall in the value of the debentures in the market.

On 10th of May, 1930, the Board of Directors of the Central Land Mortgage Bank resolved to float the first series of debentures bearing interest at 6 per cent repayable in 20 years. The issue was not a great success as the Government of India came out within a few months with the announcement of a 6 percent loan. The Bank later raised the rate of interest on debentures to 6½ percent and reduced the period of currency to 10 years. The response to this series was fair, but the funds so raised were lent to the ultimate borrower at the high rate of 8½ percent, repayable in 10 years. The equated instalment payable by the borrowers was heavy and with the pressure of depression and low prices it was felt that he would not be able to repay his loan. From the beginning of the year 1932, the conditions of the money market became easier and the Bank reduced the rate of interest and increased the period of the debentures, till by the end of 1933 the Bank resolved to issue twenty year debentures bearing interest, at 4 percent per annum. In the meanwhile debentures were successively issued bearing interest at 6¼, 6, 5½ and 5 percent per annum, the period of debentures ranging from 10 to 20 years. As the depression deepened there was insistent demand from the primary banks that the rate of interest on loans should be reduced. Taking advantage of the easy conditions of the money market, the Bank decided to redeem all high interest bearing debentures and replace them by debentures bearing interest at 4 percent per annum and reduce the rate of interest on loans charged to the ultimate borrower to a uniform level of 6 per cent. The debenture-holders were given the option to take debentures bearing interest at 4 percent or to take the value of their debentures in cash. Most of the holders agreed to the conversion of their debentures. The high in-

terest bearing debentures were thus replaced by 4 percent debentures and the rate of interest charged on those loans was reduced to 6 percent. The Bank has always offered about the same rate of interest on its debentures as that offered by the Government on their loans for similar periods. In 1935 the rate of interest on new debentures was reduced to 3½ per cent. Towards the end of 1936 it was further reduced to 3 percent. This remained the ruling rate on debentures till the outbreak of the War in September, 1939. The Bank borrowed about a crore of rupees at 3 percent. After the outbreak of the War the rate of interest on debentures was put up to 3½ percent which continues to be the rate to this day. At this rate the debentures of this bank have proved to be very popular, both inside and outside the Presidency, and the Bank has been able to find all its requirements without any difficulty. On the 30th June, 1941 the total amount of debentures in circulation amounted to Rs. 2,43,26,300 distributed according to the rate of interest as follows:—

Rate of Interest on Debentures (Percent)		Amount of Deben- tures in circulation as on 30-6-1941.
		Rs.
4	..	26,58,500
3½	..	1,19,75,600
3	..	96,92,200
	..	<u>2,43,26,300</u>

**Debenture Redemption or Sinking Fund.**—The problem of how best to utilise the principal collections, whether they could be reloaned or invested separately or utilised for redemption of debentures, engaged the attention of the bank from the very beginning. The original Trust deed provided that all collections should be pooled in a separate account and utilised according to the directions of the Trustee, firstly for meeting the working expenses of the bank, secondly for payment of interest on debentures, thirdly, for payment of dividend on shares etc., and fourthly to carry such amount as was determined by the Trustee to a Redemption Fund for utilisation to redeem debentures and till then to be invested in Government securities. Even in the early stages when the Bank was finding it difficult to find requisite funds it was decided to redeem the debentures to the extent of principal collections, as it had the advantage of reducing the ultimate liability and as

it was the prevailing practice in the German Landschaften which were the models for land credit institutions throughout the world. The debentures issued prior to the Land Mortgage Banks' Act were issued with the condition that they could be redeemed on three months' notice. Debentures issued thereafter upto the 23rd series were issued reserving to the Bank the right of redeeming them to the extent of principal collections. Under the provisions of the revised Trust deed the Bank maintains a general Debenture Redemption Fund account to which the principal collections of the loans issued from the funds raised upto the 23rd series are credited. Twice a year a drawing is held to determine by lot the debentures to be redeemed to the extent of funds available in the account.

The 24th and subsequent series were issued with the condition that they are irredeemable for the first ten years from the date of issue. In respect of these series, the Government on the advice of the Reserve Bank of India have directed, that a separate Sinking Fund account should be maintained for each series into which the Bank should pay annually an amount which, with compound interest at an assumed rate, would provide at the end of the period sufficient funds to pay off the debentures on maturity. The funds accumulated in the Sinking Fund accounts may be invested for short periods in the Madras Provincial Co-operative Bank, in postal cash-certificates, in the Indian and Provincial Government securities and in the Bank's own debentures. The Bank has opened separate current and investment accounts for the Sinking Funds of all series beginning with the 24th series. Even though the Reserve Bank's scheme and the Trust deed require that the Bank has to pay an equated payment annually into the Sinking Fund account the Bank has decided, for reasons of administrative convenience as well as financial reasons to remit into the account once a week the principal collections of the loans issued from funds raised by issue of debentures of each series. By adopting this procedure the Bank has sought to obviate any strain on the finances of the Bank which might be felt, if it had to find large amounts all on a sudden for payment into the Sinking Fund account. Further, by accumulating funds in the Sinking Fund account and investing them from time to time it is possible for the fund to earn some interest. On these and other considerations it was decided to remit into the Sinking Fund account all principal collections received, take an account of the amount remitted up to date on which the annual payment is due, and if any deficit is found to remit the same. The first payment into the Sinking Fund account is due to be made one year after the last batch of debentures in that series has been issued. As debentures are issued only after the lapse of some months from the disbursement of loans,

collections begin to come in almost immediately after the issue of debentures and these collections are remitted into Sinking Fund accounts. The Sinking Fund scheme suggested by the Reserve Bank of India and adopted by the Bank is the orthodox form of Sinking Fund adopted by local bodies like Port Trusts and Municipal Corporations, where the institutions receive certain revenues and charge to the revenue account a stipulated portion to be carried to sinking fund account. But in the Land Mortgage Bank only the interest portion of the collections is taken to revenue account while the principal portion is taken to capital account. Again the whole scheme is based on the assumption that the Bank will receive the stipulated equated instalment from its borrowers every year. But according to the terms of the mortgage bond, every borrower is at liberty to make payments to cover future instalment or instalments in part or in full. Experience shows that the amount of advance payments that may be expected to be collected in a year cannot be gauged with any degree of certainty. Large amounts have been and may in future be, repaid by the borrowers in advance of the date fixed for payment of instalments. It is, therefore, well that the Bank has decided to pay all principal collections into the Sinking Fund accounts. The following table gives details of the amounts that should be in the Sinking Fund account of each series on the 30th of June, 1941 according to the scheme of the Reserve Bank of India and the amount actually invested by the Bank in the Sinking Fund account on that date.

Series No	Amount that should be in the sinking fund account as per the scheme of the Reserve Bank of India.	Amount actually invested by the Bank. Rs.
24th	2,30,060	3,97,610
25th	2,08,870	3,85,546
26th (11-7-41)	1,51,096	2,91,524
27th	70,722	1,73,565
28th	Nil.	1,36,272
29th	Nil.	1,00,456
30th	Nil.	20,249
	<hr/> 6,60,748	<hr/> 15,05,222

On the 30th of June, 1941 the amount in the General Redemption Fund Account relating to the 8th, and 10th to 23rd series amounted to Rs. 5,70,399. The total amount in the Redemption Fund and Sinking Fund accounts on that date amounted to Rs. 20,75,621.

**The Government Staff.**—As the Bank lends on the security of immovable properties, the valuation of properties forms a very important part of the work. At the time of starting of the Bank 10 appraising officers of the cadre of Co-operative Sub-Registrars and 2 officers of the cadre of Deputy Registrars were sanctioned for land mortgage bank work. The former were for the purpose of appraising the value of lands offered for mortgage on behalf of the mortgage banks and the latter to inspect the banks on behalf of the Central Land Mortgage Bank and the Trustee. The Government agreed to bear the cost of these officers in the initial stages. The staff has been increased from time to time, till at present there are 34 Co-operative Sub-Registrars and three Deputy Registrars in charge of land mortgage bank work. From the year 1934-35, the cost of the Deputy Registrars and their establishment and contingent charges is being met by the Central Land Mortgage Bank. For the year 1940-41 the amount payable by the Central Land Mortgage Bank to the Government towards the cost of these officers amounted to Rs. 26,723. Till now the Government have been bearing the entire cost of the co-operative Sub-Registrars, which may be roughly estimated at Rs. 70,000. Recently they required that the Central Land Mortgage Bank should contribute at least a portion of the cost of Co-operative Sub-Registrars. The Board has agreed to pay one-third of the cost incurred by the Government in this behalf. In the first two years of its working the Central Land Mortgage Bank received a subsidy of Rs. 29,000 from the Government towards its working expenses.

**Reserves.**—Under the original by-laws 25 per cent of the net profits had to be carried to Reserve Fund. But as a matter of fact the Bank was carrying a much larger portion of its profits to Reserve Fund. It also set aside large amounts for bad debt, depreciation and other reserves. In January, 1941 the by-law relating to distribution of profits was amended, and it was made obligatory on the part of the Bank to carry 40 per cent of the declared profits to Reserve Fund. On the 30th of June 1941, the statutory Reserve Fund of the Bank was Rs. 2,93,003. The other reserves amounted to Rs. 2,61,743, making a total reserve of Rs. 5,54,746. For the year ending June '41 the Bank earned a net profit of Rs. 2,41,409 (subject to audit). After payment of a dividend at 4½ percent on the share capital a sum of about Rs. 2,00,000 will be available to be credited to one or other of the reserves of the Bank this year.

**Land Tenures.**—Land Banks are a particular feature of every country, but it is necessary to realise that lending against land is a much more difficult matter than lending against goods, policies and shares or any other chattels. First of all in lending money against land one has to know the real nature of the various forms of tenures in the country and

ownership. There is what is called concurrent ownership, as in Malabar ownership of the Jenmi, Kanomdar and the tenant who has a permanent occupancy right and a right over the improvements he effected. Then there are the Zamindaries, whole inam villages and mittas which are "estates" as defined in the Madras Estates Land Act. In these the zamindar, inamdar or mittadar is generally a rent receiver from the raiyat or the kudivaramdar who has also got a heritable and transferable right in the land in respect of his kudivaram or occupancy right. There are again estates with absolute ownership called fee simple. These and other matters relating to ownership in land is a problem of great importance to a land bank directorate. Land is one of the finest forms of securities on which a land bank can lend money, but it is absolutely essential to understand the diverse cases both in theory and practice, how the lending can be carried out. I may well quote from a well known writer, that part which dealt with banks. "There are many pitfalls for borrower and lender, and scarcely a branch of law or equity is not more or less involved in dealing with banking documents. Slight divergence in detail may deprive one party or other of advantages or safeguards, he was confident, he had secured."

**Conclusion.**—The working of land mortgage banks on a co-operative basis is the only way of solving the indebtedness of the ryot. There is a feeling that in the co-operative movement there is a setback; we must realise that we have lost our ancient moorings which gave us perpetual discipline in human and social affairs and in well ordered lives and it is, therefore, incumbent on all who have their sympathies with the pitiable condition of our ryots, to rebuild their social and economic life after the co-operative model. These ideals alone cannot bring comfort to these poor, desperate and illiterate ryots who are perpetually immersed in debt. The solution lies in the spread of co-operative ideals with its principles of brotherhood in work and the betterment of farming methods, better business habits, better living and thrift. Co-operative ideals, though they have not entirely attained their maximum results in the past, are no doubt, fraught with great possibilities and it is, therefore, the earnest hope of the exponents of those engaged in the work of our land mortgage banks that there really exists a great possibility of reconstruction and our faith in the success of the movement is stronger today than ever.

STATEMENT SHOWING THE PROGRESS OF THE MADRAS CENTRAL LAND  
MORTGAGE BANK FROM 12-12-1929 TO 30-6-1941.

Year	No. of members		Reserve and other funds					Loans out- standing	Total of other borrowings	Net Profit
	Banks	Indivi- duals.	Paid-up share capital	R. F. separately invested	other funds	Debentures in circu- lation				
1	2	3	4	5	6	7	8	9	10	
1929-30	19	124	70,400	..	..	..	63,000	42,200	1,358	
1930-31	37	166	99,500	340	1,018	3,51,900	1,49,332	5,38,684	7,212	
1931-32	35	168	1,07,000	340	1,018	10,78,900	1,51,903	11,31,004	18,920	
1932-33	50	181	1,45,600	6,873	13,442	20,83,300	2,19,045	20,92,734	15,223	
1933-34	63	190	1,94,300	13,675	13,442	34,55,800	76,706	33,82,135	41,111	
1934-35	71	190	2,38,400	44,328	13,462	50,92,700	1,86,833	51,04,426	69,327	
1935-36	79	195	3,58,900	1,00,684	25,367	79,44,400	4,80,112	78,66,231	46,765	
1936-37	90	457	5,34,300	1,12,715	58,204	1,11,84,400	2,55,869	1,12,85,968	64,422	
1937-38	94	478	6,69,300	1,35,618	1,02,722	1,31,85,700	10,58,573	1,40,79,859	92,962	
1938-39	106	466	7,76,500	1,75,761	1,33,443	1,60,56,200	32,94,678	1,89,17,981	1,12,715	
1939-40	119	461	8,65,600	2,15,785	2,57,423	1,94,84,600	32,73,205	2,18,80,950	1,20,541	
1940-41	119	455	9,35,100	2,93,003	2,61,743	2,43,26,300	14,92,533	2,41,48,955	2,41,409	



## LAND MORTGAGE BANKS IN BOMBAY PROVINCE

(Contributed)

**Early History:**—The problem of land mortgage banks in Bombay, as elsewhere in India, is intimately connected with the problem of rural indebtedness. Attempts at finding out a solution of this problem were made in Bombay as early as the nineties of the last century and various schemes were submitted to Government by eminent persons like Justice M. G. Ranade, Sir William Wedderburn, Sir Dinsha Wacha and Sir Lalubhai Samaldas. However, none of these schemes were approved by Government. With the passing of the Co-operative Societies Act, 1904, hopes were entertained that co-operative credit societies would be able to finance agriculturists for the repayment of debts and it was the appreciation of this point of view that led to the approval by Government of the scheme of debentures put forward by the late Sir Vithaldas Thackersey and the late Sir Lalubhai Samaldas when they promoted in 1911 the Bombay Central (now Provincial) Co-operative Bank. Under this scheme, Government guaranteed interest on debentures upto three times the share capital of the Bank with the maximum of Rs. 20 lakhs in order to enable the Bank to provide long term finance for redemption of debts to agriculturists who were members of co-operative societies in the Province. The Bank did considerable business in its early days in providing long term credit out of the funds raised from debentures. However, for the past many years, its activities have been mainly restricted to financing agriculturists through village societies for current agricultural needs. Its total advances for redemption of debts amounted to Rs. 4,90,422 on the 30th June 1940.

The question of starting a separate organisation for land mortgage credit in the Province, was first discussed among co-operators at the Gujarat Divisional Co-operative Conference in 1923. Later on, Mr. J. A. Madan, C.I.E., I.C.S., the then Registrar of Co-operative Societies, submitted to Government a scheme for the establishment of land mortgage banks in the Province. Three land mortgage banks based on this scheme were organised in 1929 at Broach, Pachora and Dharwar, as an experimental measure and the Bombay Provincial Co-operative Bank financed them through a separate department. The Bank floated debentures for Rs. 5 lakhs specially for financing the land

mortgage banks. It advanced loans of Rs. 4,75,964 of which loans for Rs. 1,99,804 were outstanding on the 30th June, 1940.

The Government of Bombay appointed in 1933 a Committee to examine the problems of land mortgage banks in the Province. The Committee examined the problem in its various aspects especially in the light of the experience gained in the working of the three primary land mortgage banks organised in the Province. On the recommendation of this Committee a Provincial Land Mortgage Bank was organised in 1935 for the development of land mortgage banks in the Province and for co-ordinating their working. Ten more land mortgage banks were also organised in the same year.

**Primary Land Mortgage Banks:**—There are at present 17 primary land mortgage banks in the Province. The area of operation in case of some primary banks extends to the whole of a District, while in the case of others it extends to one or more talukas. The membership is open to borrowers as well as non-borrowers. The non-borrowing members are required to hold at least 10 shares of Rs. 5 each and the borrowing members are required to hold shares of the value of 5 per cent of their borrowings from the bank. The Board of Directors of the primary bank consists of seven members two of whom are representatives of borrowing members, two representatives of non-borrowing members and one representative each of the Provincial Land Mortgage Bank, the Registrar and the District Central Co-operative Bank or the financing institution working in the area of operation of the bank. Loans are advanced for redemption of debts, improvement of lands, and in special cases for purchase of lands. Security worth at least double the amount of the loan is taken in the case of each loan. The repaying capacity of the applicant is also carefully examined. Government have lent the services of trained land valuation officers for valuing the lands and also for examining the repaying capacity of the applicants for loans. Title to lands has to be certified by the legal adviser of the primary bank. The maximum amount of loan in the case of an individual has been fixed at Rs. 10,000 while the minimum has been ordinarily fixed at Rs. 400. The maximum period of loans has been fixed at 20 years, though loans are also allowed for five, ten and fifteen years in case the applicants have adequate repaying capacity. The instalments for loans are fixed on equated basis. In the case of loan applications for redemption of debts, debts have to be examined and attempts to conciliate the debts are made. However, in the absence of any statutory powers, the Debt Conciliation Boards established by primary banks have not succeeded in scaling down

debts materially. When applications for loans are made for improvement of lands, such improvements have to be certified by the Agricultural Organisers and loans are advanced as and when the work progresses. The primary land mortgage banks obtain their finance from the Provincial Land Mortgage Bank. They keep a margin of  $1\frac{1}{2}$  per cent between their lending and borrowing rates of interest. The rate of interest charged on loans to ultimate borrowers was fixed at 6 per cent but it had to be raised to  $6\frac{1}{2}$  per cent recently, as the Bombay Provincial Land Mortgage Bank had to float the second series of debentures at a higher rate of interest. The outstandings of the primary land mortgage banks from their members stood at Rs. 27,00,025 on 30th June 1940. The arrears on account of principal and interest amounted to Rs. 78,500 and Rs. 50,061 respectively on that date.

**The Bombay Provincial Co-operative Land Mortgage Bank:**—The Bombay Provincial Co-operative Land Mortgage Bank was registered at the end of the year 1935 and commenced working in the beginning of 1936. Sir Lalubhai Samaldas was the first President of the Bank. The Board of Directors consists of 15 members, six are representatives of the non-borrowing shareholders, five representatives of primary banks, two nominees of the Registrar, one nominee of the Bombay Provincial Co-operative Bank and the Registrar of Co-operative Societies. The day-to-day management of the Bank is entrusted to the Executive Committee, consisting of seven members. The President of the Bank and the Registrar of Co-operative Societies are *ex-officio* members of the Executive Committee. The authorised share capital of the Bank has been fixed at Rs. 10 lakhs, divided into 10,000 shares of Rs. 100 each. The shares subscribed by the non-borrowing shareholders are paid up to the extent of Rs. 60 each, while the shares subscribed by the primary banks are fully paid up. The subscribed and paid-up capital of the Bank amounted to Rs. 6,66,300 and Rs. 4,46,300 respectively on the 30th June 1940. The Bank obtains funds mainly from the flotation of debentures. The Bank has so far floated two series of debentures for Rs. 30 lakhs. The first series was floated in the year 1938 for Rs. 20 lakhs at  $3\frac{1}{4}$  per cent at par. The period of debentures was 20 to 25 years. The second series was floated in the year 1940 at  $3\frac{1}{2}$  per cent, the issue price being Rs. 98½ and the period 10 to 15 years. Both the series are guaranteed by the Government of Bombay for principal and interest. The Bank has made arrangements for admission of dealings in cash in the debentures of the Bank on the Bombay Stock Exchange. The Registrar of Co-operative Societies has been appointed Trustee for the debenture holders. The Bank has constituted a sinking fund for the redemption

of debentures on maturity. The Bank advances loans to the primary land mortgage banks on assignment of mortgages obtained by the latter from their members though by a recent amendment to the by-laws, provision is sought to be made for advancing loans also to other co-operative societies mainly for the purpose of promoting schemes for land improvement. The period of loans has been fixed at 20 years; but it has been proposed to extend it to 25 years in the case of loans to be advanced under Section 55 of the Bombay Agricultural Debtors' Relief Act, 1939. Moreover, the period of loans has to depend upon the period for which debentures are floated and in the case of loans financed from the issue of the second series of debentures, it had to be fixed at 15 years as the maximum, as the Bank could not float longer-dated debentures on favourable terms due to the outbreak of war. The loans to primary banks carried interest at 4½ per cent though it had to be raised to 5 per cent in the case of loans advanced from the issue of second series of debentures. The loans are repayable by annual equal instalments. The Bank receives advance payments on which interest at the lending rate is allowed. Provision for granting extensions under exceptional circumstances is made in the by-laws. Since its inception upto the 30th June, 1940, the Bank has advanced loans for Rs. 27,21,740 of which loans for Rs. 26,77,740 were for redemption of debts, loans for Rs. 16,300 were for improvement of lands and loans for Rs. 27,700 were for purchase of lands. The Bank had loans for Rs. 23,88,608 outstanding on 30th June 1940 of which loans for Rs. 28,253 were in arrears for principal and Rs. 1,847 for interest.

**Government Assistance to Land Mortgage Banks:—**The Government of Bombay have given special assistance to land mortgage banks in certain respects. They sanctioned subsidies of Rs. 10,000, Rs. 7,500 and Rs. 5,000 to the Bombay Provincial Land Mortgage Bank for meeting deficits in its working in the first, second and third year respectively. They have guaranteed the principal of and interest on debentures for Rs. 30 lakhs floated by the Bank. They have exempted the debentures from payment of stamp duty on transfer. The Government granted to the primary banks a subsidy of Rs. 500 each per year for three years for meeting part of the cost of the land valuation officers. The mortgage deeds and assignment deeds to be executed by borrowers of primary banks and primary banks respectively are exempt from payment of stamp duty and registration fees. The primary banks have been exempted from payment of fees for the issue of encumbrance certificates in respect of lands offered as security

for loans. The land mortgage banks also enjoy all other concessions which are given to other co-operative societies in the Province.

**General:**—The land mortgage banks in Bombay, as elsewhere in India, have a definite place in the rural economy of the Province. The progress so far made by them, though considerable, falls far short of expectations. Land mortgage banks can, no doubt, finance only solvent agriculturists for repayment of debts, but even within this limit there is enough scope for extending their operations. Moreover, the scope for business can be expanded, if closer co-ordination between land mortgage banks and debt conciliation boards is established. Such co-ordination is provided for under Section 55 of the Bombay Agricultural Debtors' Relief Act 1939. However, the Bombay Agricultural Debtors' Relief Act is to be brought into operation by stages and it would take considerable time before its scope is extended throughout the Province. In those areas where the Act is not operating it would be desirable to give certain statutory powers to debt conciliation boards established by primary banks. There is also wide scope for loans for land improvement. In fact, loans for such purposes should be encouraged as they add to the productivity of the land and raise the income of the farmer. Of course, there are considerable difficulties in the way of land mortgage banks advancing loans for such purposes. Agriculturists do not know what types of improvements are likely to be useful. There are also no agencies to prepare various schemes of land improvement and to supervise in carrying them out if finance is made available for the purpose. The scope for such loans can be expanded if close co-ordination between the Co-operative Department, the Agricultural Department and the Public Works Department is established. The scope and utility of land mortgage banks depend upon the soundness of their management and their ability to recover instalments punctually. If large-scale defaults occur in the case of land mortgage banks, they are sure to find difficulty in floating the debentures successfully. Land mortgage banks should, therefore, have summary powers of recovering defaulted instalments without the intervention of civil courts. Such powers are enjoyed by land credit institutions in foreign countries as well as by land mortgage banks in other provinces in India. For the efficient working of land mortgage banks in Bombay, it is necessary to pass legislation on the lines of the Madras Land Mortgage Banks' Act. If such legislation cannot be passed immediately it will be desirable to amend the Bombay Co-operative Societies Act suitably.

# PROBLEMS OF LAND MORTGAGE BANKS IN BOMBAY

By

VAIKUNTH L. MEHTA,

*Managing Director, Bombay Provincial Co-operative Bank.*

The outstanding problem is one connected with the raising of funds. The Bombay Provincial Co-operative Land Mortgage Bank, which is the central financing agency in the province for the provision of long-term agricultural credit, raises the bulk of funds required for its loan operations by the issue of debentures. These debentures can be issued only on terms and conditions approved by Government. Again, in the initial stages of the movement, the debentures are required to be guaranteed by Government. Government, however, appear to have no well-conceived policy in the matter; and the future of the Bank and of the entire land mortgage credit movement in the province is at present far from being bright.

The funds which were raised by the Bank in the year 1938 by the issue of the first series of debentures to the extent of Rs. 20 lakhs were fully employed in loans before the close of the year 1939. The Bank approached Government with a request to guarantee a second series of debentures to the extent of Rs. 10 lakhs. Though the Legislature in the Province had permitted Government to guarantee the debentures of the Bank to the extent of Rs. 50 lakhs, Government hesitated to give their consent. In the meantime, the Bank had to suspend its loan operations for want of loanable resources, and this had a very undesirable effect on the progress of the land mortgage credit movement. Fortunately, in April 1940, Government agreed to guarantee the second series of debentures to the extent of Rs. 10 lakhs, and the Bank could resume its loan operations. Government, however, have made it clear that they would not guarantee further debentures of the Bank until they have watched the operations of the Bombay Agricultural Debtors' Relief Act 1939. The funds raised by the issue of the second series of debentures are likely to be soon exhausted. The Bombay Agricultural Debtors' Relief Act 1939 has not still been put into force, though arrangements are in progress for bringing the same into operation in selected areas. The Bank and the entire land mortgage credit movement are, once again, apt to be threatened with a stalemate, unless Government decide to modify their policy and attitude in regard to guaranteeing the debentures of the Bank.

The question really is whether the provision of organised long-term agricultural credit is a necessity in the province and if so, whether Government have any responsibility in regard to the institution of the requisite arrangements. When Government sanctioned the registration of the Bombay Provincial Co-operative Land Mortgage Bank, and of all other primary banks, they had, we presume, a clear appreciation of their own responsibility in the matter. It is difficult to understand why Government should now hesitate to guarantee the debentures of the Bank particularly when the Provincial Legislature has allowed it to guarantee the debentures of the Bank to the extent of Rs. 50 lakhs. It may be urged that the establishment of land mortgage banks in this province was originally intended to be a measure in the direction of relief of agricultural indebtedness and that the subsequent enactment of the Bombay Agricultural Debtors' Relief Act 1939 has dispensed with the need for the grant of long-term loans for debt redemption. This argument has, no doubt, some force. The enactment of an Act, however, is very different from its actual operation, and it is hardly advisable to put a stop to the little relief granted by the activities of the land mortgage banks in the hope that substantial relief would be afforded at a distant date by the operation of the Act. Again, there is always some demand for long term loans for land improvement and the land mortgage banks cannot meet the same if they are required to suspend their loan operations. Once the problem of old debts is solved, the demand for loans for land improvement may reasonably be expected to increase. The pressure on land in the province is great and intensive cultivation is a necessity. Intensive cultivation, however, is largely dependent on the provision of adequate long-term capital for land improvement. The land mortgage banks can be encouraged, if the need for the grant of long-term loans for redemption of old debts has ceased to exist, to finance individual and co-operative schemes for land improvement. There may also be agricultural debtors, who, though they do not come within the purview of the Act, may need relief. Such debtors can be encouraged to have recourse to land mortgage banks. At any rate, there is always some—and perhaps considerable—scope for the activities of land mortgage banks and Government would be well advised not to impair the utility and existence of these important institutions by a refusal to guarantee the debentures of the Bombay Provincial Co-operative Land Mortgage Bank.

The second problem of the land mortgage banks arises from the manner or mode of raising funds. The Bombay Provincial Co-operative Land Mortgage Bank, issues debentures in block once in a year or once in two years with the previous approval of Government. The funds raised by the issue of debentures are then gradually employed in loans

to primary banks. The Bank pays interest at  $3\frac{1}{4}$  or  $3\frac{1}{2}$  per cent per annum on the funds raised by the issue of debentures and earns interest at  $1\frac{1}{2}$  per cent per annum or so on such funds, before they are employed in loans to primary banks. The monthly requirements of the Bank, at present, vary between Rs. 50,000 and Rs. 75,000 and the loss of interest which the Bank suffers every year on account of its funds remaining idle is considerable. It would be better if Government granted the Bank temporary advances at bank rate for financing the primary banks. The Bank may be permitted to draw a sum not exceeding Rs. 1 lakh once a month or so. All such temporary advances may be required to be repaid within a definite period out of funds raised subsequently by the issue of debentures. The profit-earning capacity of the Bombay Provincial Co-operative Land Mortgage Bank is limited and the loss of interest, incurred in respect of large funds, intended to be gradually employed in loans, tends to make its business unremunerative to a certain extent. If Government agree to the system of the grant of temporary advances at the bank rate as outlined above, the Bank will be able to show better results in its working.

Though it is now nearly six years since the land mortgage credit movement, in its present form, was introduced in the province, there is no legislative enactment for facilitating the operations of these banks. Both Madras and the Central Provinces and Berar have separate Land Mortgage Banks Acts, but Bombay has none. The first Land Mortgage Banks' Conference held in Bombay in March 1940, under the auspices of the Bombay Provincial Co-operative Land Mortgage Bank, recommended the early enactment of an Act on the lines of the Madras Act No. X of 1934. This Act is intended to confer on primary banks special powers for the recovery of defaulted instalments. The primary banks in the province feel that unless they have powers to distrain and sell the produce of the mortgaged lands including the standing crops thereon, and, if necessary, to bring the mortgaged property to sale without the intervention of the Courts, they cannot steer clear off the other wise inevitable growth of overdues. The Act is also intended to remove several other disabilities under which primary banks at present labour. One of these has its origin in the attitude of creditors who refuse to furnish copies of debt documents and to receive payment of the amounts offered by primary banks towards the debts. The experience so far gained in regard to the working of land mortgage banks in the province has demonstrated the necessity of a Land Mortgage Banks Act, and unless it is enacted it will be difficult to ensure the efficient functioning of the banks.



One very serious problem facing primary banks relates to the appointment of land valuation officers. These officers inspect lands and appraise the market value of the security. They also assess the repaying capacity of applicants. All the loans which are advanced by land mortgage banks are made on the recommendations of these officers. As Government guarantee the debentures of the Bombay Provincial Co-operative Land Mortgage Bank, Government appoint their own employees as land valuation officers. While co-operative opinion agrees that land valuation officers should be employees of Government and should be appointed by Government, there is divergence of views in regard to the qualifications, grades etc. of these officers. At present clerks in the Co-operative Department, who are trained in land valuation work for a month or so, are often appointed as land valuation officers. As soon as these clerks pass the G.D.C.A. examination and are eligible for appointment as sub-auditors, they revert to the Department and the experience they have gained is lost to the banks. Again, the cost on account of pay and travelling allowances of land valuation officers is required to be borne by the banks, and as the resources of the banks and their profit-earning capacity are limited, they generally prefer junior officers with low salaries to senior officers with high salaries. The present position in regard to the appointment of land valuation officers is far from satisfactory. The work of these officers is of a very responsible nature and the stability of land mortgage banks is largely dependent on their honesty and efficiency. It is necessary that the persons appointed as land valuation officers should be senior men and should start in the grade of Rs. 75—5/2—90. They should also be eligible for promotion to the next higher grade of Rs. 95—5—130, if they put in good work. Again, they should not be suffered to revert to the audit line after they have gained some experience in land valuation work. Unless these officers are given decent salaries to start with and the prospect of further promotion in the event of honest and hard work on their part, they are apt to succumb to temptations and to prejudice the progress of the banks. Moreover, their continuance in the line for a number of years may be expected to strengthen their sense of responsibility. These changes, however, cannot be brought about unless Government agree to bear a certain and substantial portion of the cost of these officers, especially in the earlier stages of the primary banks. The first Land Mortgage Banks' Conference considered this question and recommended that land valuation officers should continue to be appointed by the Registrar from amongst the employees of the Co-operative Department who are matriculates and who have served in the Department for at least five years. The Conference also recommended that land valuation officers should be in the

grade of Rs. 75—5/2—90 or Rs. 95—5—130 and that every bank should pay to Government every month a sum of Rs. 85 representing the average pay of a land valuation officer, provided Government agreed to bear half the cost of employment of the land valuation officer till the loan operations of the bank reached a figure of Rs. 3 lakhs. Unfortunately, these recommendations were not accepted by Government and the problem of provision of an efficient service for land valuation work remains unsolved. It may be pointed out that since the debentures of the Bombay Provincial Co-operative Land Mortgage Bank are guaranteed, Government, in their own interests, as well as in the interests of the banks, should insist on the employment by the latter of well paid and sufficient staff for land valuation work. Any expenditure incurred by Government in this behalf is calculated ultimately to protect them from their contingent liability in respect of debentures and ought not to be grudged.

The Bombay Agricultural Debtors' Relief Act 1939, is expected to come into force shortly in select areas. That Act contemplates land mortgage banks to play an important role in the scheme of relief of agricultural indebtedness. Section 55 of the Act lays down that a Debt Adjustment Board may call upon the creditors to state in writing whether they agree further to scale down the debts to a sum not exceeding 50 per cent of the value of the immovable property of the debtor and to receive, in lieu of all such debts, bonds issued by the Bombay Provincial Land Mortgage Bank, and guaranteed by Government. If the creditors agree, the Board will prepare a scheme for the adjustment of the debts and send the same to the Bank for acceptance. If the Bank accepts the Board's proposal, the Board will make an award in favour of the Bank and bonds will be issued to the creditors by the Bank in full satisfaction of the debts. The problems which have arisen as a result of this legislation are many. The Act makes no mention of primary banks but they have got to be brought into the picture. The proposals of the Debt Adjustment Boards will have to be scrutinised by them, as the Bombay Provincial Co-operative Land Mortgage Bank does not possess the local knowledge which is necessary for such scrutiny. Again, the recovery of instalments will be attended to by primary banks as they are in closer touch with the debtors than the Bombay Provincial Co-operative Land Mortgage Bank. Another problem is the Bank's difficulty in playing the role enjoined by the Act in areas which are not served by primary banks. The Board's proposals from such areas will have to be examined from the Bank's point of view by special officers, who should also be responsible for the recovery of loan instalments. The cost of employment of these officers may not

be met from the profits of the business available to the bank and the losses may be heavy. Again, the Bombay Provincial Co-operative Land Mortgage Bank is authorised under its by-laws to finance only primary banks and not individual debtors. In areas, however, which are not served by primary banks, the Bank will have to finance individual agricultural debtors if it is to discharge the responsibility placed upon it by the statute. The question, therefore of the amendment of the by-laws of the Bank will have to be considered. In fact the many problems which will arise in the wake of the enforcement of the Bombay Agricultural Debtors' Relief Act 1939 will call for the quick decision of and prompt action on the part of the apex and primary land mortgage banks. It is hoped that these institutions will rise to the occasion and play their appropriate role in the scheme of debt relief.

## LAND MORTGAGE BANKS IN CENTRAL PROVINCES & BERAR

By

SIR MADHAV RAO DESHPANDE,

*Chairman, C. P. & Berar Provincial Co-operative Bank.*

A few years ago, co-operative opinion in the Central Provinces and Berar was much exercised over the old debts of big land-holders and establishment of land mortgage banks was thought to be one of the potent remedies for their regeneration. The Co-operative Department also was not slow to move in this direction. The question was eventually discussed in the Berar Co-operative Conference held at Khamgaon in the year 1927. Soon after a fully representative Committee was appointed to investigate the question. It was requested to consider whether having regard to the prevailing economic conditions, it was advisable to start land mortgage banks and if answer to this was found to be in the affirmative, to frame a scheme for the working of these banks.

The Committee investigated the question and published its report on 13th January 1929, recommending establishment of land mortgage banks in the province and submitted a detailed scheme for their formation and working. It, however, took four long years before the primary land mortgage banks, one at Mehkar and the other at Amraoti, could be started. These banks came into existence in 1932-33 though their actual working did not commence till the year following it. Towards the close of the year 1934-35 eight banks viz., those at Nagpur, Bhandara, Raipur, Seoni, Narsinghpur, Sihora, Yeotmal and at Basim were organised.

The progress of these banks was rather slow. There was no dearth of loan applications in these banks. The great majority of the applicants for loans were over-indebted and their assets and annual income were not such as would leave them enough margin or surplus for paying annual instalments. Their antecedents were also discouraging. But it was fondly hoped that as the banks became more widely known the true type of applicants would come forward to take advantage of long term credit.

The year 1934-35 saw the framing of the Central Provinces Land Mortgage Banks Bill on the basis of Madras Land Mortgage Banks Act, providing for statutory control by Government over the working of land mortgage banks. An arrangement was arrived at between the Provin-

cial Bank and the Government, whereunder the Government guaranteed the principal and interest on debentures to the extent of Rs. 50 lakhs, issued in the course of 10 years commencing from the date of execution of Trust deed, i.e., 7-12-1935. This gesture on the part of the Government created, as we shall see later, great confidence in the minds of the investing public. The period of repayment of loan was extended to twenty years from that of sixteen years, as originally proposed by the Committee. Similarly, the minimum limit of individual loans was reduced from Rs. 500 to Rs. 250 in the C. P. and to Rs. 300 in Berar, and the maximum limit of the same was raised from Rs. 5,000 to Rs. 10,000.

In the year 1935-36 rapid progress was made in the working of land mortgage banks. The Provincial Bank began to function as Central Land Mortgage Bank. As the business of the Provincial Bank exceeded one lakh this year, it floated its first series of debentures of Rs. one lakh at  $3\frac{3}{4}$  per cent. The response of the public was remarkable. The series was over-subscribed to the extent of Rs. 2,50,000 within a week from the date of issue. Consequently the debentures had to be allotted pro-rata.

The first conference of land mortgage banks in the province was held at Nagpur and passed a resolution favouring the creation of a separate Central Mortgage Bank for the Central Provinces and Berar to take over the land mortgage bank business from the Provincial Bank, and requesting the Government to make a grant of Rs. 15,000 per year to meet the working expenses of such an institution for the first four years. The Government was also requested to subsidise the primary banks for the first three years. Co-ordination of Land Mortgage Banks and Debt Conciliation Boards was also urged at the Conference.

The year 1936-37 saw further expansion. Two more banks were added. There could be no spectacular progress, as the Debt Conciliation Boards were already doing the work of scaling down the debts of agriculturists all over the province. But if we take a birds-eye view of the working of the two agencies put together, we find that much has been done towards the reduction of rural debts. This year 5 banks worked at a profit.

In 1938-39 two more banks, one at Hoshangabad and the other at Betul were opened. The total number thus reached twenty-one. Thus the whole province has been brought under the fold of land mortgage credit except the two districts of Chanda and Balaghat. The volume of work for land mortgage banks increased. The older banks had good business during this year and the new banks, such as those at Khamgaon, Khandwa, Chhindwara, Bilaspur, Wardha and Akola, also fared

well. It was decided that the valuation of the property mortgaged with land mortgage banks should be done by the Government valuers once in three years. The Government was moved by some of the Berar banks that the minimum limit for individual borrowers should be lowered to Rs. 150 as in the case of Central Provinces. The figures given below will sum up the position.

Year	No. of Banks	Loans outstanding
		Rs.
1933-34 ..	2	11,706
1934-35 ..	2	29,290
1935-36 ..	10	1,35,877
1936-37 ..	14	3,59,553
1937-38 ..	19	6,63,068
1938-39 ..	19	10,88,540
1939-40 ..	21	12,57,796

The Provincial Bank—Land Mortgage Banks Section—has advanced upto 15-6-1941, Rs. 16,22,423 from its inception out of which it has recovered Rs. 224,450.

A second conference of land mortgage banks was held at Nagpur on 30th September and 1st October 1940.

The question of amending section 47 of the Indian Registration Act so as to make the operation of the document to commence from the date of registration (and not from the date of execution) so far as the priority of the claim is concerned, the question to amend the Central Provinces Relief of Indebtedness Act, on the lines of Bombay Agricultural Debtor's Relief Act of 1939, the problem of the method of valuing the village shares, the proposal to move the Government to issue such instructions as will lead to the charge created by civil court decrees on immovable property being recorded in the record of rights and other similar problems were discussed and referred to the Legal Sub-committee for further examination. The question of starting a Central Mortgage Bank in the province was again moved at the Conference; but taking into consideration the financial position of the Provincial Bank—Land Mortgage Bank Section, and having regard to the advantages flowing from the Provincial Bank functioning as Central Mortgage Bank, it was decided that the proposal be considered at the next conference of land mortgage banks.

The Provincial Bank has been functioning and will function as a Central Mortgage Bank till the latter is formed. The loans are first advanced to the Primary Land Mortgage Banks by the Provincial Bank at 5 per cent from 16-1-40 (before that it used to be  $4\frac{1}{2}$  per cent) and the primary banks advance them to the individual borrowers at 7 per cent ( $6\frac{1}{2}$  per cent previously). These banks have to be in close touch with the individual borrowers. The loan is repayable in twenty equated instalments.

**Source of Funds.**—The chief source of funds for land mortgage banks is the issue of 25 year-debentures by the Provincial Bank. These debentures are secured by the first mortgages of the lands of members. These mortgages are assigned to the Provincial Bank by the land mortgage banks. The report of the Committee has recommended that the Provincial Bank should issue the debentures and not the land mortgage banks. The reason is obvious. The Provincial Bank is a well-established and well-known institution and has greater resources at its disposal and commands greater credit in the market.

In the beginning, the Government had guaranteed the payment of interest, but under the new scheme that was arrived at in March 1935 the Government guaranteed the payment of both principal and interest. This help from the local Government inspired confidence in the public. The Government has undertaken such a guarantee to the extent of Rs. 50 lakhs as stated elsewhere.

**Sinking Fund.**—In order to ensure the payment of the debentures the Provincial Bank was under an obligation to adopt some amortization scheme of investment. The question arose whether a simple redemption fund, wherein only principal amounts could be pooled, was suitable or there was need for a sinking fund as prescribed by the Reserve Bank of India. The Provincial Bank authorities ultimately decided in favour of a sinking fund as directed by the Reserve Bank and the same has been started since 1940. The Bank holds Rs. 1,32,660 in the fund to-day.

**Aims and Objects.**—The following were laid down as the objects of land mortgage banks :—

- (1) the redemption of the lands of agriculturists,
- (2) improvement of land and methods of cultivation and ,
- (3) liquidation of old debts. The revised byelaws have included, as one of its objects, the purchase of land so as to consolidate the holdings or to secure more efficient economic cultivation.

The Primary Land Mortgage Banks are a basement to the structure of land mortgage business in the province. The share capital of each bank consists of shares allotted to those who sympathise with the aims of the bank. The element of non-borrowing share holders has been introduced to inspire confidence in the public, particularly in the debenture holders. But experience in this respect is otherwise. Many of the share-holders have unfortunately not subscribed their promised quota.

**Procedure to obtain loans.**—The borrower has to submit an application for loan, in a prescribed form giving details regarding the size of the family, property movable as well as immovable, the liabilities existing on the date of the application, statement of income and expenditure along with title deeds and revenue records supporting the applicant's title to property. The application, when received in the office of the land mortgage bank, is thoroughly examined by the Directors and then sent on to the Government valuer for scrutiny. The Valuer goes to the spot, inspects the property, studies the mode of living and habits of the applicant and the paying capacity and then submits his report together with the valuation of the property, recommending either rejection or acceptance of the application. The loans are recommended to the extent of 50 per cent of the value of the property.

After the recommendation of the Valuer for sanction, the application is submitted to the Board of Directors of the bank which after going through the report recommends the loan provided the Legal Adviser of the bank certifies the applicants' title to the property offered for mortgage. Thereafter the application is sent to the Co-operative Department wherein the Assistant Registrar, the Senior Deputy Registrar and the Registrar scrutinise the loan application and the Valuer's report. After their recommendation, the application comes to the Managing Director of the Bank who is the final sanctioning authority. After the loan application is sanctioned the mortgage deed and the assignment deed, called security documents, are received by the Provincial Bank, examined and if found in order, the bank places the funds at the disposal of the primary banks.

Everybody concerned, complains that our present system of accounts which is based on that of Madras is cumbrous and involves duplication of work. The matter is engaging the serious attention of the Procedure Committee, which was appointed by the last Conference.

**Achievements.**—These banks were established when the agriculturists were hard hit by the economic depression and were overburdened with debts. These banks were inaugurated with high hopes. That the purchasing power and the productive capacity of



the cultivators will necessarily increase with the relief of rural debt was the primary motive which led to the establishment of these banks. They were also intended to supplement the working of co-operative credit societies, which deal with short term credit.

The Co-operative Movement, in this province, has received a serious set-back and the business of land mortgage banks is not free from its repercussions. The European war has again chilled the enthusiasm, but there is no reason to despair. The working of these banks has had its indirect effect on the moneylenders' methods of business. This has helped those solvent agriculturists who cannot, for one reason or the other, take advantage of these banks. At least one thing is obvious, that the money-lenders have lowered their rates of interest and are otherwise more accommodating to the debtors than before.

The Debt Conciliation Boards have attained greater prominence than land mortgage banks. The debtor agriculturist, when he borrows from the land mortgage bank, has to pay interest on the amount till it is repaid. He has to pay application fee, valuation fee, and to purchase shares of the value of Rs. 5 for a loan of Rs. 250 or a fraction thereof. Further, if instalments are not regularly paid, he has to pay penal interest. He cannot incur outside liabilities without the bank's permission. While there are no such obligations under the Debt Conciliation Boards, the debtors going to the Boards are granted easy instalments extending over 10 to 15 years free of any interest. Naturally enough, the debtors prefer to go to Debt Conciliation Boards. The exit of Debt Conciliation Boards and the advent of Debt Relief Courts in their stead, has not changed the situation so far as land mortgage banks are concerned. In addition, the debt relief law has offered other facilities such as repayments of decretal amounts by small instalments, postponement of execution of decrees, reduction of interest, reopening of accounts for twelve years prior to 1932, and compulsory submission of accounts by the creditors to the debtors. It is therefore no wonder that land mortgage banks, though numbering at present twenty-one, could not make much headway. We may however console ourselves with the belief that the Debt Conciliation Boards have made a short shrift of the responsibilities of land mortgage banks.

While the problem of overdues is not unknown to the land mortgage banks, the banks are taking timely action to nip the evil in the bud. A provision has been made in the C. P. Land Mortgage Banks Act, 1937, to recover the defaulted instalments only, under Section 10, and if necessary to recover the whole loan outstanding under Section 14, without the inter-

vention of the Court. The operation of Section 10 of the Act is not only more efficacious, but it is also less harsh than that of Section 14, as unlike Section 14 the whole property of the defaulter is not put to sale. Operation of section 14 also involves some legal complexities. While it is difficult to hold the scales even, the primary banks should be very careful in setting the coercive machinery in motion or they stand the danger of losing whatever popularity they have gained.

**Direct help from Government.**—The land mortgage movement has received financial support from the Local Government in the shape of subsidies to land mortgage banks for the first three years of their establishment. Further, the Government has amended the Tenancy Laws of the Central Provinces so as to confer transferability of occupancy lands in favour of land mortgage banks. The facility has also been recently extended in favour of ordinary co-operative societies. A further facility has been offered quite recently, whereunder *Khudkast* and *Sir* lands can also be mortgaged with greater ease.

In fine, we may say that while a whole organisation has been set up with a view to relieve the peasantry of the deadweight of debts, no permanent results will follow unless their purchasing power is enlarged. What an agriculturist needs is a complete revolution in his economic condition and outlook on life. His creditworthiness, purchasing power and productive capacity need to be enhanced. He should be thoroughly grounded in the principles of co-operation with a view to arrest future waste. Other things being equal, land mortgage banks will contribute a lot to the betterment of his fate.

The Managing Committee of the Provincial Bank, the primary land mortgage banks and the Government Department are all trying their best to popularise the movement and it is hoped that as soon as normal conditions are restored, the land mortgage business in the province will reach its proper height of development.

## LAND MORTGAGE BANKS IN BENGAL

(Contributed.)

There are at present 5 land mortgage banks in Bengal. They are located at Mymensingh, Comilla, Pabna, Birbhum and Jessore. In view of the persistent demand from other parts of the province, Government were approached for ten more land mortgage banks. Government have since sanctioned establishment of five more Land Mortgage Banks in the province for the present. The expansion of the business of the banks during the year under report was not as rapid as could be desired. This slow progress is due to the widespread operations of the Debt Settlement Boards. The amendment of the Bengal Tenancy Act now provides for the mutation of a fractional share from a joint holding; but more often than not, such holding is found to be heavily in arrears of rent and the co-sharers cannot always be persuaded to pay their share of rent, with the result that the share cannot be mutated. In the case of Mohammadans the difficulty is aggravated by the fact that their females also inherit a share in the ancestral property and they often live in their husbands' places. Not actually in possession of their shares they cannot be persuaded to join the mortgage bank as they feel that they are not in any way benefited by it and rather jeopardise their interest thereby. At times the members themselves do not desire that their female co-sharers should join lest that might amount to an acknowledgement on their part of the ownership of these co-sharers in the ancestral land which they exclusively enjoy. Holders of *korfa* and other under-raiyati rights, which are not protected interests, are debarred from obtaining loans from the land mortgage banks. There are again persons who do not feel anxious to borrow from the land mortgage banks, lest they might not have any surplus land left after mortgaging the required quantity to enable them to raise any credit in future in case of emergency.

The new Co-operative Societies Bill (since passed by the Legislature) offers facility to a member of a Land Mortgage Bank to get further credit, by permitting him to create a charge upon the mortgaged property for a period not exceeding five years (*vide* clause 95(1) (b).) This is likely to remove the present difficulty of a member a good deal. The existing rate of interest of  $8\frac{3}{4}$  per cent is considered to be somewhat high. The floating of proposed debentures in order to raise funds at a sufficiently low rate of interest, so that the present lending rate of

interest may be substantially reduced, has unfortunately been held up by the existing war conditions. Several important provisions have in view the improved working of Land Mortgage Banks through summary procedure under the Public Demands Recovery Act which is a safeguard against deliberate and wilful default.

The total working capital of the Land Mortgage Banks at the close of the year amounted to Rs. 5,05,518 as against Rs. 4,42,163 at the close of the previous year. The working capital is made up of Rs. 41,168 from shares, and Rs. 4,46,896 from loan from the Bengal Provincial Co-operative Bank, Rs. 1,615 being the accumulation in the Reserve Fund and Rs. 15,839 appertaining to other funds and undistributed profits. The number of members rose from 2,049 to 2,222, which includes 34 preference share-holders. The borrowing members number 1,286 as against 1,107 of the previous year. The total number of applications received from the very start of the banks up to the close of the year under review was 4,061 for a total loan amount of Rs. 19,69,046. The number of applications investigated and considered was 4,460 covering a sum of Rs. 21,24,282. The number of applications accepted was 1,731 involving Rs. 8,28,811 and the number of applications rejected was 2,729 for a total amount of Rs. 12,95,471. Loans issued up to the close of the year under report amounted to Rs. 5,96,823 in 1,286 cases. The amount of loan issued by the banks fell from Rs. 1,23,720 in the previous year to Rs. 74,335 in the present year.

The recovery of loans during the year was Rs. 30,170 as against Rs. 33,854 during the preceding year. The total amount of loans outstanding at the close of the year was Rs. 5,06,726 as against Rs. 4,62,561 at the close of the previous year. The overdues were Rs. 17,306 and Rs. 5,187 respectively. The increase in the overdues is mainly due to severe floods and the consequent distress in certain areas. It is, however to be noted that a little over Rs. 10,000 was repaid by the unaffected borrowers before due date. The loan advanced by the Provincial Bank during the year to the land mortgage banks was Rs. 59,550, as against Rs. 1,09,495 in the previous year. Repayments were Rs. 18,230 and Rs. 23,676 respectively. The balance at the close of the year was Rs. 4,46,896 as against Rs. 4,05,576 at the close of the previous year. So far as the Bengal Provincial Co-operative Bank was concerned, there were no overdues at the close of the preceding year, but this year the overdues amount to Rs. 6,867.

The total amount of loans advanced by the land mortgage banks from the beginning up to the close of the year under review was Rs. 5,96,823 against the mortgage of agricultural land measuring 10,683

acres valued at Rs. 15,73,580 and also other immovable properties valued at Rs. 2,35,783—total Rs. 18,09,363. The loans advanced represent roughly 33 per cent of the value of the properties mortgaged.

Instalments for repayment are fixed with due regard to the size, the purpose of the loan, the paying capacity of the borrower and the possibility of failure of crops once in every four years.

The total original debts of the members amounting to Rs. 8,41,466 were reduced to Rs. 5,53,932 by conciliation. The assets of the members have been estimated at Rs. 8,35,282 and Rs. 6,80,925 respectively, leaving a surplus income of Rs. 1,54,358 against the total annual demand of Rs. 77,219. The cost of management of the banks was Rs. 19,578, as against Rs. 17,170 of the previous year.

The profits of the year amounted to Rs. 17,532 as against Rs. 13,287 of the previous year. Two of the five land mortgage banks, Mymensingh and Comilla, became self-supporting and could refund in full the advances made by Government towards their management charges.

## LAND MORTGAGE BANKING IN MYSORE

(Contributed.)

**Origin and History of the Scheme.**—The Mysore Economic Conference urged the establishment of a land mortgage bank as the most promising means of relieving the indebted agriculturists and improving their conditions, particularly in the Malnad. The Co-operative Committee of 1923 worked out a scheme for the organisation of a bank on co-operative lines with a view to advance loans to *bona fide* land owners at first directly, and later on through special societies formed for the purpose. The Malnad Improvement Committee of 1925 recommended the establishment of separate land mortgage banks, one for each of the Malnad Districts. A mixed committee of officials and non-officials, which was appointed by the Government in the year 1927, considered the question and recommended that a central institution with jurisdiction over the whole State might be established to provide long-term credit to agriculturists. On the recommendation of this Committee the Government passed final orders on 10th April 1928, sanctioning the establishment of a land mortgage bank as a Provincial Institution independent of the Provincial and other Co-operative Institutions.

“The operations of the new Bank were to be limited, in the first instance, to one taluk in each of the three Malnad districts of Shimoga, Kadur and Hassan, and one taluk in the Maidan district of Tumkur. The local work of the Bank was to be carried on through primary institutions to be specially formed, which would receive and report on the loan applications, and make short-term advances out of their own funds.” The grant of loans direct to individual members where there are no primary societies was also provided for in the by-laws, but in practice this is now discontinued. “The share capital of the bank was fixed at Rs. 5 lakhs and the bank was authorised to issue debentures up to Rs. 20 lakhs, the Government guaranteeing payment of interest not exceeding 5 per cent and also agreeing to invest a sum of Rs. 5 lakhs in the debentures issued.” The concessions sanctioned in favour of co-operative societies as regards exemptions from stamp duty and registration and other fees were extended to the bank.

The Registrar of Co-operative Societies was placed in control of the scheme, and a whole-time Deputy Registrar was appointed to make the preliminary arrangements. The Co-operative Societies Regulation was amended with a view to bring the Land Mortgage Bank within its pur-

view; a set of rules was framed under it, and the first body of directors was nominated. Finally on the 25th November 1929, the institution was registered as the Mysore Co-operative Land Mortgage Bank Limited (now called the Mysore Central Co-operative Land Mortgage Bank Limited).

The operations of the Bank which were first confined to four taluks have been gradually extended to 48 taluks and 4 sub-taluks out of 73 taluks and 6 sub-taluks in the State. The Bank had at the close of the year 1939-40, a membership of 207, with a paid up share capital of Rs. 1,09,900 and a debenture capital of Rs. 10,91,700. Loans to the extent of Rs. 14,06,325 were sanctioned up to the close of the year 1939-40. A sum of Rs. 12,61,610 had actually been disbursed. The primary land mortgage societies held shares to the extent of Rs. 90,200.

The funds of the Bank comprise share subscriptions, debentures and grants and other miscellaneous items. The share capital of Rs. 5 lakhs is made up of 10,000 shares of Rs. 50 each. The Bank is authorised to receive deposits, but as the primary activity of the Bank is to advance long-term loans it is not receiving deposits.

Five series of debentures, as per details noted below, have been issued by the end of 1939-40 with the approval of Government and under their guarantee for payment of principal and interest.

at 5 P.C.	..	2,18,500	I Series
at 4½ P.C.	..	62,500	II Series
at 4 P.C.	..	1,85,100	III Series
at 3½ P.C.	..	5,00,000	IV Series
at 3½ P.C.	..	1,25,600	V Series

These bonds are very popular and are issued at present at a premium of 2 per cent.

The bank is authorised to issue debentures up to Rs. 20 lakhs having currency not exceeding 30 years. The bonds are liable to be redeemed or re-purchased at the option of the Bank after a period of ten years from the date of issue, and bonds worth Rs. 1,32,700 have been recently redeemed. The Comptroller to the Government is the Trustee to secure the fulfilment of the Bank's obligations to debenture-holders.

**Management.**—(1) *Central Bank.* The powers of the General Body and of the Board of Directors are defined in the by-laws. The General Body (subject to the control of the Government and of the Registrar) is the "ultimate authority in all matters relating to the administration of the Bank." The administration of the affairs of the Bank generally is entrusted to a Board of Directors consisting of a President and one

member nominated by the Government and 16 others, of whom two are nominated by the Government to represent the interest of debenture-holders. The remaining 14 are elected, of whom not less than 9 (at the rate of one for each district) are to be representatives of the primary land mortgage societies. The entire administration of the Bank, subject to the control and delegation of the Board, vests in an Executive Committee of five members.

The powers and duties of the President and other office-holders are also specified. The Secretary is a salaried officer, appointed by the Directors subject to the approval of Government, and is responsible for the executive administration of the Bank, subject to the control of the President. The bank staff at present consists of one Secretary, an Amildar lent by Government, an Assistant Secretary and 13 hands, excepting peons. Loan applications are scrutinised by senior officials, who are qualified in law.

(2) *Primary Societies.*—The primary societies have their own by-laws approved by the Registrar. The Committee generally consists of 9 to 15 members. The first Committee is appointed by the Registrar. Where competent non-officials are not available to hold the offices of President or Secretary, the Revenue Sub-Division Officer or the Taluk Amildar is appointed by the Registrar as President, and the Sub-Registrar as Secretary. Their wide experience of men and local conditions and the help they can render in their official capacity are thus availed of for the benefit of the scheme. Members of the Committee are elected so as to represent different *hoblies* constituting the taluk. The primary societies are affiliated to the Central Bank by membership. The Central Bank being the financing institution has power of supervision and control over the primary societies.

**Loans.**—Loans are of two kinds, long-term and short-term. Long-term loans are granted at present for the following purposes only, though the by-laws provide for issue of loans for the improvement or better cultivation of land also, (1) for redemption of subsisting mortgages on agricultural land. (2) for liquidation of other prior debts of agriculturists.

Short-term loans are granted out of the Bank's own funds for current agricultural operations, and are advanced only to grantees of long-term loans.

As the Land Mortgage Scheme is chiefly for the benefit of the agriculturists of ordinary and limited means, long-term loans within the



minimum of Rs. 300 and maximum of Rs. 5,000 repayable in 15 to 25 years, are issued. The rate of interest originally charged was 8 per cent to the ultimate borrower and 7 per cent to the primary society. With the help of the Government subvention and the increase in the volume of business, the Bank has now found it possible to bring down the rate of interest to practically 6 per cent to the ultimate borrower.

The recovery of the loan instalments has been satisfactory being 97.46 per cent during 1939-40. Of the loans issued amounting to Rs. 12,61,610 a sum of Rs. 1,29,330, was recovered by the end of 1939-40.

Long-term loans granted do not exceed 50 per cent of the value of the agricultural lands offered as security. In view of fluctuations in the value of coffee and cardamom lands the loans on the security of such lands do not exceed 40 per cent of their value.

**Special Staff for investigation.**—Investigations were, in the first few years, made by officials called Valuers lent to the bank by Government. Later on, this work was entrusted to the Circle Inspectors of co-operative societies as a matter of economy. As this did not prove satisfactory, a special staff of Inspectors for land mortgage work was sanctioned by the Government. They are generally Senior Inspectors of co-operative societies. There are at present eleven Inspectors exclusively for land mortgage work. The Government were pleased to sanction the appointment of a Special Assistant Registrar of Co-operative Societies for land mortgage work in September 1939. The salary and allowances of this staff are entirely borne by Government.

**Procedure in granting loans.**—Applications are first presented to the primary societies. After a preliminary scrutiny by the Secretaries, they are referred to two local Directors and the Inspector for investigation and report in forms prescribed by the bank. Their reports are placed before the Directors of the society who, if the cases are found to be satisfactory, recommend sanction of loan. The applications are then sent by the society to the Central Bank where they are thoroughly examined. The Board of Directors of the Bank has delegated the power of sanctioning loans to an Executive Committee consisting of 5 members including the President. The Executive Committee sanctions or rejects the recommendations of the primary societies. In the case of loans sanctioned, bills passed by the Comptroller who is the Trustee, will be sent to the primary societies for disbursement to the creditors direct in the presence of the grantee.

**Financial position of the Bank.**—Besides the share and debenture subscriptions, the Bank has accumulated the following funds amounting to Rs. 37,000.

	Rs.
Reserve Fund	.. 14,400
Bad Debt Reserve	.. 8,500
Dividend Equalisation Fund	.. 5,000
Premium on debentures	.. 5,965
Reserve for contingencies	.. 2,000

**Extension of the Scheme.**—In the extension of the scheme no attempt “to hurry the institutions into the existence to meet a popular demand” has been made. The selection of additional areas to be brought under the scheme is made by the Registrar in consultation with the Central Bank after instituting a detailed investigation by the Departmental Staff.

**General.**—The policy of the Bank has been to liquidate all the debts of an applicant ; and loans are generally granted to *bona fide* agriculturists only. The Government have been taking keen interest in the progress of the Bank and have granted a number of concessions to facilitate its work. The Royal Family has evinced its interest in subscribing heavily for the debentures of the Bank.

## REVIEWS

YEAR BOOK OF AGRICULTURAL CO-OPERATION, 1941. Edited by Horace Plunkett Foundation, London, P. S. King & Son.

The current Year Book of Agricultural Co-operation is the slimmest of the kind so far published by the Horace Plunkett Foundation. Several important contributions have been withheld from publication, in the anxiety to despatch the Year Book sufficiently early to reach in time overseas readers. Miss Margaret Digby, the talented Secretary of the Foundation and systematic contributor to the *Indian Co-operative Review*, has gone out on war work. This Year Book has been edited, in her absence, by Dr. C. R. Fay, the distinguished Chairman of the Trustees of the Foundation. There is, however, a weighty contribution from the pen of Miss Digby in the shape of a fifty pages survey on the Co-operative Movement in Canada, which she had studied at first hand early in 1939. Dr. Fay himself makes the largest, and a very original, contribution surveying the co-operative experiments made in the widely scattered Colonial and Tropical possessions of the British Empire, in which is included a part of India. The third largest contribution is a departmental report on Co-operation in Newfoundland, where there were a number of obstacles to overcome, particularly the backwardness in education of the large fishing communities. The amount of adult education work done in this country is remarkable and is worthy of adoption by others with a similar population. Of the two other special articles, the one on English and Canadian Schools is interesting from the pedagogic point of view but its relevancy in a co-operative Year Book is not clear. The pride of place among contributors to this Year Book is rightly accorded to a very fascinating sketch by Mr. H. F. Norman of the career and character of Father Thomas Finlay, the third of the greatest Irish Pioneers, the other two being Sir Horace Plunkett and George Russell (A.E.), with all of whom Mr. Norman has had close contact as a collaborator in the work of the Irish Agricultural Organisation. It is worth reading and re-reading.

Communications from correspondents are rather meagre. They deal more with the repercussions of the World War on the Co-operative Movement in about a dozen countries, big and small, including Ceylon and Kashmir. Reviews and Short Notices are shorter than usual, sections on Bibliography and Digest of Co-operative Law have been altogether omitted—nothing surprising in a year of such extraordinary stress and strain. The wonder is that the Foundation, located in the

heart of air-raided London has found it possible to publish the Year Book in the spirit of 'Business as usual.'

The gaps in the Year Book have been more than made up for by the elaborate survey covering 75 pages by Dr. Fay, referred to already. It is much more than a study of co-operative activity in the far flung tropical possessions of the British Empire. The economic, geographical and historical background that the learned author provides is brilliant. In fact the sketch of the Co-operative Movement, such as it exists in many of these regions, is eclipsed by the excellent exposition of the economic background for such a Movement. The countries touched upon are the West Indies and Newfoundland in the Atlantic, Tropical Africa—East and West, and the East Indies in their old and widest sense which includes not merely Malaya, but Ceylon, Burma, and India. Dr. Fay has paid short visits to Ceylon and South India and to a number of West Indies islands. He gives out his impressions found in the course of rapid tours in these lands, and for the rest he relies mainly on the printed word.

Dr. Fay is of the firm view that small isolated political units cannot survive in the future and that economic and co-operative stability cannot be assured without political stability—for which it is vital that the smaller units should unite into a federation. He suggests certain groupings or federations, which it is for countries concerned to accept or reject after due consideration. We are unable to follow his cryptic allusions to our country when for instance, he says "Burma was wise perhaps to separate from India"; but she should in future group herself with countries more distant and scattered in the Indian Ocean and inhabited by races not more akin to Burmans—with Malaya, Sarawak, Borneo and Ceylon. Dr. Fay takes the British statesmen to task for refusing to grant full responsible Government to West Indies and Kenya (by which he means the white settlers there) on the plea that the Empire is a Trust "a notion that has been worn to death." And he says "only when they have the power (the power to do right or wrong) will they want to do what is right." The treatment of the native races and Indian settlers by the self-governing whites in South Africa belies this hope. Of the many interesting sketches he gives centering round some commodities his graphic account of the struggle between the United Fruit Company and the Banana Co-operatives in Jamaica and of the spectacular progress of the sugar industry in India after a long period of official pessimism and discouragement are worth studying in particular.

Of the Movement in India whose "mere size makes it a difficult country in which to study" Dr. Fay has little to say except incidentally.

But the little that he says in this way is rather sweeping, e.g., "Co-operation in India, if we except the Punjab, and co-operation in Burma in particular, has suffered from most of the defects that men can achieve." The movement in the Punjab, which comes in for praise at more than one place may deserve praise but not at the expense of other provinces, some of which have a much better record—in some branches of co-operation at any rate.

We have no desire to pick holes in a piece of work which displays a rare wealth of knowledge and power of argumentation in the process of laying bare the multiplicity of factors that account for the progress or the reverse of the Co-operative Movement in different countries. The author has a very alert mind and is not wedded to any particular ideal as regards tenure, or size of forms or size of societies or to free trade or protection. He has a suppleness of mind which is not commonly met with in co-operative literature. The whole survey is an intellectual treat and abounds in exquisite epigrams not only on the Co-operative Movement but on economic organisation in general.

K. C. R.

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THE MADRAS GENERAL SALES TAX ACT. By Dr. B. V. Narayanaswami Naidu, and S. Thiruvengadathan. (The Annamalai University, Annamalainagar, 1940, Rs. 1-3-0).

Madras is the first among the provinces in India to have passed a *general* Sales Tax Act though the Central Provinces and Berar preceded her by imposing a selective tax on the retail sales of motor spirits and lubricants. Though the main aim of the authors is to reveal the working of the tax in a particular district of Madras—South Arcot—they have covered a wide field. Beginning with a short history of the sales tax in India and certain European countries from early times, the authors have shown that the tax has been popular with several Governments in Europe and America as a productive source of revenue with the notable exception of England, which is temperamentally averse to any form of indirect taxation. The form, yield of the tax and the difficulties experienced in administering the tax in these countries are clearly pointed out. The introduction of the tax in Madras is attributed more to the policy of Prohibition, than to the desire to balance the budget or correct the inequalities in the burden of taxation between town and country. On the other hand in Bombay the tax is motivated by the policy of rural development. While the Madras Act has adopted the broad principles of the tax as followed in the West it differs from them in certain important respects. In the latter countries the services are also taxed while the articles of food and the prime necessities of life, Government enterprise and to a certain extent machinery and

exports are exempted. On the contrary the Madras Act has failed to give concessions even to articles of food and necessities. But a rebate of half the tax is allowed on exports of finished articles of industrial manufacture to places outside the province. In the view of the authors the policy of the Madras Government regarding taxation of exports cannot be condemned. For in India exports consist mainly of raw materials which the Central Government tries to conserve for the purpose of industrialisation of the country and complete exemption would therefore run counter to this object. The legal validity of the sales tax imposed by a Provincial Legislature was questioned by some parties and it was referred to the Federal Court for decision. The Court's decision, establishing the right of the provinces to levy a selective sales tax and clarifying the meaning of the term 'taxes on the sale of goods'; is examined and also published as an appendix. The authors have described in detail the system of accounting commonly adopted by the merchants in the South Arcot District. Their enquiries do not lend support to the general view expressed that the expenses of merchants would increase due to the maintenance of accounts. Only in cases where the accounts are kept in vernacular and where a translation is necessary there has been an additional charge on account of this item. They suggest that this difficulty may be overcome by the officers learning the rudiments of the vernacular languages.

Besides noting the possible methods of tax evasion they have described the various kinds of evasion actually practised by the merchants in the area under their investigation. The anomalous position of the 'Agents' and seasonal traders is also brought out. To check this it is necessary, in their opinion, that the Government should take steps to amend and modify the Act and Rules and also lay down new rules if and wherever necessary. They also plead for stricter enforcement of the Act and Rules by inflicting severe penalties on wilful defaulters.

The effects of the tax on the turnover of business, wholesale and retail and on the middlemen have been investigated. From their enquiry, though confined to a restricted area, they find that, except with the wholesale dealers, shifting has not been so easy with all the retail traders under the present competitive conditions. Curiously enough in some cases the retail sellers have for sentimental reasons borne the brunt of the tax themselves.

The effect of the sales tax on the turn over of the local co-operative consumers' societies has been closely studied; the latter entertain the fear that they would be undercut in the matter of prices by the tax free retail trader, resulting in loss of business and retarding the progress of the movement itself. An analysis of the

business turnover in the two local societies in Cuddalore and that of the premier society in Madras, the Triplicane Urban Co-operative Society, judged by their transactions, shows that they have not suffered by the levy of the tax. Besides the societies have not followed a uniform principle, some paying the tax from their general profits and others adding it on to the price of the articles. The T.U.C.S. has done the former and could pay only smaller dividends to members and less bonus to employees. The authors admit that though there has not been any adverse effect on the business turnover the expansion of the activities of the societies has been hampered. On this and other grounds the co-operative consumers' societies deserve special consideration at the hands of the Government.

They have not also been able to find any tendency towards disintegration of business as was expected by some. Cases of double taxation have not been common except in the case of a tax on the purchase amount of the raw commodities such as groundnut, leaf-tobacco etc. Here they would suggest the exemption of the first sale of the locally finished product of the above raw materials. It is pointed out that much of the time of the Tax Officers is occupied in routine work leaving little time to attend to the more intelligent and important work of discovering 'systematised, polished and well-executed methods of tax evasion based on perfect understanding between the parties—purchases and sellers.' The administrative machinery should be perfected by expanding the technically qualified staff as well as the clerical staff.

The study suffers from its having been undertaken a little too early after the passing of the Sales Tax Act. We hope the authors will pursue the enquiry and publish the results of the working of the Act since they studied it last.

*Editor.*

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MODERN ECONOMIC PROBLEMS. Edited by Baljit Singh. (Economics Club, D. A. V. College, Cawnpore, 1941, Rs. 2).

This bulletin is a collection of papers read under the auspices of the Club, and studies or investigations of specific economic problems made under the direction of the President of the Research Committee. In his inaugural address to the Club the President, Principal Kalka Prasad Bhatnagar, stresses the importance of factual surveys and collection of accurate statistical data on some practical problems.

There are 15 contributions in all, grouped under six main headings representing the different branches of economics. Of the three papers on the general principles of economics, one by Mr. M. P. Mathur deals

with the static and dynamic view of economic phenomena. The second paper on the Malthusian theory of population by Mr. Sita Ram Pandey makes a brief study of the early theories of the population problem, the problem as set out by Malthus, the criticisms levelled at his theories and the problem as affecting India. The third paper by Mr. S. P. Mathur is on Economic Planning. He studies the present state of industrial organisation in India and the necessity for planning, at the same time pointing out the limitations and obstructions in the way of formulating a national plan. A brief note on the National Planning Committee set up by the Congress in 1939 is also added.

In the second group 'Trade and Industry' the problems of sugar industry have been studied in detail. Mr. Ramdass devotes attention to the problem of marketing sugar and its products and gives a descriptive account of the methods of assembling, grading and standardising, storing, and the whole-sale distribution of the products in the United Provinces. Mr. B. S. Srivastava traces the history and growth of the sugar industry from 1930, when the question of protection was referred to the Tariff Board by the Government and has surveyed the position of the industry during the period of the crisis. He has many useful suggestions and constructive schemes for placing the industry on a stable basis. Mr. S. S. Rathi has given us an interesting account of the history and progress of the manufacture of and trade in the Aligarh locks and allied industries which have gained much popularity in India.

There are three papers devoted to investigations on industrial labour. Mr. S. Hasan lays down the general principles that should govern the relationship between the employer and the employee and capital and labour. The activities of capital and labour, the two essential factors of production must be so co-ordinated as to bring the optimum result. Under the changing circumstances of the world, readjustment of the relations, in his view, cannot be left to the free play of economic forces but to a special machinery which it is the duty of the State to provide. This is followed up by the second paper which is an investigation into the development of factories and the conditions of factory labour in the United Provinces. The third paper is an objective study of the problems of industrial housing with particular reference to Cawnpore. The paper on 'Provincial Finances under Autonomy' is both a historical retrospect and a study of the financial relationship between the Centre and the Provinces after the inauguration of autonomy.

There are two sections that deal with the organisation of Agriculture, Village Conditions and Co-operation. Besides one paper on



'Agriculture in the Depression' there are two brief economic surveys of villages. A short account of the history and progress of the Co-operative Movement in the United Provinces has been given by Mr. R. N. Uberoi, covering all the different aspects of the movement and the scope that it has for the future. He has pointed out the necessity for an apex bank, the reorganisation of the societies on the Burma model and the need for more land mortgage banks for providing long term credit. In his opinion the movement has a bright future if certain fundamental defects, which have been enumerated, are removed.

Editor.

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**GLIMPSE OF THE CO-OPERATIVE MOVEMENT IN ASSAM.** By L. K. Barooah.  
(Published by Kamal Chandra Borah, Sewali Printing Works,  
Nowgong, Assam, As. 8).

This booklet is a reprint of the paper read by Mr. L. K. Barooah, at the All Assam Co-operative Central Banks' Conference. He deals briefly with some of the important phases of the Co-operative Movement in Assam and, in a simple and concise form puts forth his suggestions and recommendations for the rehabilitation of the movement in the Province largely drawn from the experiences and experiments of some other Provinces, and specially Burma. The Co-operative Movement in Assam has been passing through a critical stage and there has been an all round decrease in the membership, working capital and reserve fund of the agricultural societies. Nearly 98 per cent of the outstandings to the members were overdue and on a comparison with other provinces the position in Assam is found to be staggering. This has vitally affected the stability of the central banks which are the financing agencies to the societies. He rightly attributes the causes of the present impasse to the inherent defects in the organisation of societies and to the paucity of non-official workers in the past, well trained in the high ideals of co-operation. He strongly feels that unless the right type of men join the field, there is no chance of success; but yet he would not sound a note of undue pessimism. He cites the instance of Burma where the movement had practically collapsed and the Provincial Bank went under liquidation. But their efforts have been made to revive the movement through a far-reaching, constructive scheme which has been put into operation and has been working successfully. He approves of the Burma scheme as a model for the Province, with certain modifications to suit local conditions.

Mr. Barooah feels doubtful if multipurpose societies can be worked with success at the present moment in India though he agrees that the objects of the Co-operative Movement should be comprehensive and it should serve as an effective agency for all the

needs of the rural population. On the question of land mortgage banks he thinks that the separation of long term and short term finance is long overdue. He further urges that immediate steps should be taken to develop the non-credit side of the movement in the Province by organising special types of societies. By a comparison with other Provinces he brings to light the inadequacy and inefficiency of the Departmental staff in the Province for audit, inspection and education and recommends that a separate audit staff should be maintained for the proper audit of the societies. In conclusion he makes a fervent appeal to the veteran co-operators to find out a solution for the present impasse, chalk out lines of new development and launch a bold optimistic policy of reorganisation of the Co-operative Movement in the Province. The suggestions of the author deserve due consideration when a scheme of rehabilitation is drawn up for the Province.

S. T.

## CO-OPERATIVE SOCIETIES AT WORK IN INDIA

### ASSAM.

Extracts from the Report of the Registrar of Co-operative Societies, Mr. S. L. Mehta, I.C.S., for the year ending 31st March 1940.

**Summary of General Progress.**—The old policy of consolidation and cautious expansion had to be continued though the rehabilitation of the movement, with a comprehensive and well-conceived recovery plan to improve the economic outlook of the country, was of immediate necessity. Without an adequate staff and financial commitments from the Government, the crises cannot be averted. The Movement passed through another year of severe ordeal. The working of the co-operative societies did not make any progress whatsoever. During the year, 70 new societies were registered and 42 liquidated; the number of societies stood at 1579 as against 1551 in the previous year. The total number of members of all classes of societies decreased from 61,624 to 60,644. There was increase in the membership of the non-agricultural societies but the decrease in the membership of the agricultural societies is striking. The total working capital of societies continued to decrease from Rs. 88,21,352 to Rs. 83,44,914 i.e. a decrease of Rs. 4,76,438 as against Rs. 1,98,928 of the previous year. The actual transactions of credit societies of all classes with their individual members show that new loans to the extent of Rs. 9.39 lakhs were issued to them as against Rs. 9.60 lakhs, and recoveries amounted to Rs. 10.34 lakhs against Rs. 9.83 lakhs in the previous year. The total loans due by individual members stood at Rs. 14.32 lakhs and Rs. 19.29 lakhs in the agricultural and non-agricultural societies respectively as against Rs. 16.47 and 19.16 in the previous year. There was no sign of decrease in the overdues of the agricultural societies which continued to be at 93 per cent as in the previous year. The total reserve fund of all the societies further decreased from Rs. 15.51 to 15.14 due to the heavy reduction of the reserve fund of the agricultural societies. Most of the agricultural societies are running at heavy losses due to the inability to reduce the loans by bringing them down to the level of present repaying capacity, absence of finance for seasonal loans, absence of any summary power of recovery, want of timely action for recovery, absence of any moral persuasion to repay dues, non-observance of the cardinal principles of co-operation, and the applicability of the provisions of the Assam Money Lenders Act and decisions of the Debt Conciliation Boards to the co-operative societies. Continued deterioration of the condition of the societies has now brought the movement to a state of collapse and nothing short of a comprehensive scheme of rehabilitation to reconstruct and revitalise the movement will be able to save it from utter ruin.

**Surma Valley Co-operative Organisation Society.**—The society continued to maintain its existence only on its own resources from subscriptions, as Government grant was discontinued in 1932-1933. The society received a Government contribution of Rs. 500, and with this amount, it commenced again the publication of *Samabaya* (a monthly journal in Bengali), revived the Surma valley Co-operative Conference by organising three subdivisional conferences and one Provincial and Central Banks' Conference, participated in two exhibitions and organized two rural uplift societies.

**The Provincial Co-operative Bank of Assam.**—The Provincial Bank continued to maintain its position, as best as it could, under the most disquieting circumstances prevailing in the co-operative movement in the province, as the following statement will show:—

	1938-39.	1939-40.
Number of members: Individuals	27	27
Societies ..	53	54
	Rs.	Rs.
Paid up share capital ..	1,11,850	1,11,550
Deposits and Overdrafts ..	2,29,364	1,81,355
Reserve and other funds ..	44,123	47,608
Working capital ..	3,85,337	3,40,523
Loans made to Central Banks and Societies ..	71,292	13,500
Loans due by Central Banks and Societies ..	2,30,708	2,55,598

From the above figures it will be seen that there was a heavy fall in the working capital owing to withdrawal of deposits and small inflow of deposits.

The subscribed and paid up share capital of the Bank slightly decreased from Rs. 2,23,700 and Rs. 1,11,850 to Rs. 2,23,200 and Rs. 1,11,560. The deposits received and refunded during the year amounted to Rs. 22,141 and Rs. 56,195, against Rs. 55,748 and Rs. 47,550 respectively in the previous year. The deposits from members and outsiders including the overdrafts held at the end of the year also decreased from Rs. 2.29 to Rs. 1.81 lakhs. The rates of interest on fixed deposits, however, remained at 3, 3½, and 4 per cent for 1, 2 and 3 years respectively as in the previous year. No interest is allowed on the current deposits by the Bank. The paid up share capital is about 65 per cent of the amount of deposits held by the Bank against 54 per cent in the previous year.

Loans issued during the year amounted to Rs. 13,500 only against Rs. 71,292 in the preceding year. Due to non-payment of dues by the primary societies, most of the central banks were in difficulty to meet their obligations to their depositors, as well as to this Bank, with the result that although there were unusually heavy demands from the central banks for new loans by societies during the year, the bank had very little resource left at its command to meet their crying needs. Moreover, in the present critical position of the Co-operative Movement in the province, the Bank had to act with great caution in the matter of fresh finance to these central banks.

The recovery of loans and collection of interest from societies amounted to Rs. 42,270 and Rs. 14,369 as against Rs. 51,282 and Rs. 17,378 in the preceding year. The current demand of interest was Rs. 15,932, out of which Rs. 6,954 was realised within the year. In view of the present unsatisfactory condition of the co-operative societies better results in the collection could not be expected. The total loans outstanding at the close of the year amounted Rs. 2.56 lakhs with Rs. 14,549 as interest against Rs. 2.81 lakhs with Rs. 12,986 as interest in the previous year. The over-

dues stood at 51 per cent as against 43 per cent in the previous year. The overdues include a sum of Rs. 12,499 due from societies under liquidation which earns no interest. The interest outstanding from these societies amounted to Rs. 3,168.

The working of the Bank resulted in a net profit of Rs. 8,974 against Rs. 9,866 in the preceding year. The Bank declared a dividend of  $5\frac{1}{2}$  per cent on preference shares and  $4\frac{1}{2}$  per cent on ordinary shares as in the previous year. The reserve fund of the Bank stood at Rs. 35,010 at the close of the year. The bad debt fund further increased to Rs. 10,598 and building fund remained at Rs. 2,000 as in the preceding year.

**Central Banks.**—The total number of central banks continued to be 18 as in the previous years, of which 5 were in the Surma Valley and the remaining 13 in the Assam Valley Division. Almost all the central banks, except some of the smaller ones, are faced with difficulty to maintain their credit. The position of these banks deteriorated further during the year under report.

The number of society and individual members in the central banks decreased from 1,230 and 647 to 1,218 and 640 respectively. The paid-up share capital also decreased from Rs. 1.95 to Rs. 1.88 lakhs. The total working capital further decreased from Rs. 23.07 to Rs. 21.82 lakhs. The reasons for these decreases are obvious. The central banks are gradually contracting their business by collecting their dues. The proportion of the paid up share capital to the working capital was near about 9 per cent as against 8 per cent of the previous year. The following further figures show the working and position of the central banks for the last two years:—

	1938-39.	1939-40.
	Rs.	Rs.
Loans and deposits held at the end of the year from individuals and other sources ..	13,69,709	12,43,130
Loans and deposits from societies ..	2,08,946	2,22,694
Loans from the Provincial Bank ..	2,26,316	2,09,338
Reserve Fund ..	1,23,257	1,27,161
Other funds ..	1,83,468	1,91,673
Loans due by societies ..	15,77,007	14,68,814
Loans issued to societies ..	55,679	42,594
Loans repaid by societies ..	94,358	1,52,268
Interest realised ..	1,07,501	1,10,057
Cost of management ..	38,114	37,690
Profits ..	717	8,076

**Agricultural Credit Societies.**—The total number of agricultural credit societies with unlimited liability decreased from 1,324 to 1,315 of which 668 were in the Surma Valley and 647 in the Assam Valley Divisions, as against 670 and 654 respectively in the previous year. As in previous years the 10 limited agricultural societies, which were started as health societies, were practically doing credit business. The number of members in agricultural societies further decreased from 41,189 to 39,166,

which is indeed deplorable. The working capital of these societies continued to fall further from Rs. 28,69,283 to Rs. 25,79,449. They issued loans to members to the extent of Rs. 82,774 as against Rs. 88,789 and recovered Rs. 1,93,818 as against Rs. 1,56,573 in the previous year. This improvement in collections was due to the facilities given to the debtors by way of remission of interest, the drastic action taken against recalcitrant debtors and increase in the price of agricultural produce. The total loans due from individual members stood, at the close of the year, at Rs. 14,28,527 as against Rs. 16,43,099 of the previous year. The overdue amount came to Rs. 13,26,599, i.e., nearly 93 per cent, as in the previous year. Inspite of vigorous attempts to reduce the overdues, there is no sign of any improvement in this respect. Most of these agricultural credit societies are running at a loss. The profit and loss item of these societies resulted in a net loss of Rs. 58,187 as against a net loss of Rs. 58,626 of the previous year. The number of societies running at a loss is on the increase.

**Non-agricultural Credit Societies.**—The total number of societies increased to 163, and the total number of members rose to 14,623 as against 13,614 of the previous year. The working capital slightly decreased from Rs. 26·57 to Rs. 26·49 lakhs. The percentage of owned capital to that of the working capital is more than 57 per cent as against 58 in the previous year, which is no doubt encouraging. They issued loans to the extent of Rs. 8,52,577 during the year, and recoveries of loans amounted to Rs. 8,23,947. Inspite of decrease in the issue of fresh loans, recoveries showed an improvement. The total loans due to these societies from members stood at Rs. 19·27 lakhs as against Rs. 19·12 in the previous year. The overdues however increased from Rs. 7·01 to Rs. 8·15 lakhs which is 42·3 per cent as against 36·6 per cent of the previous year.

**Land Mortgage Banks.**—As in the previous years the five land mortgage banks continued their existence through extremely difficult circumstances, without doing any useful work. The total amount of loans issued was Rs. 2,250 only as against Rs. 2,400 of the previous year. The total recovery of loans amounted to Rs. 15,126 as against Rs. 19,077 and Rs. 41,821 of the two preceding years. Recoveries are gradually falling as most of the assets have been frozen from a long time. The total loans due from members stood at Rs. 2·61 lakhs with an over due of Rs. 2·55 lakhs which represents nearly 98 per cent. The working capital decreased from 4·44 to 4·37 lakhs.

**Stores and Supply Societies.**—The total number of these societies was 17, as against 13 in the previous year, with a membership of 910. The working capital of these societies was Rs. 1·11 lakhs and sales amounted to Rs. 1·75 lakhs. They earned a profit of Rs. 7,506.

**Milk Societies.**—The total number of milk societies further decreased from 16 to 15. The work of these milk societies in the Surma Valley have practically been closed and all the 9 societies are awaiting formal liquidation. Out of the six milk societies in the Assam Valley only 4 are working. The general supervision of this class of societies rests with the officers of the Live-stock branch of the Agricultural Department under the Deputy Director of Agriculture and Live Stock.

**Land Improvement Society.**—The Pailgaon Land Improvement Society, the only society of its kind has shown marked improvement in its working. The embankment erected by the society has proved quite successful though it entails expendi-

ture annually. It spent a sum of Rs. 109 for earth work during the year. Attention of the neighbouring villages has been attracted to the usefulness of the society.

**Women's Societies.**—The total number of societies was five as against one in the previous year. The Sylhet Women Co-operative Thrift and Home Savings Society, Limited, continued to work satisfactorily, showing an increase in the number of members from 46 to 53. The savings deposits rose from Rs. 745 to Rs. 1,294, which was invested separately in banks.

**Reserve and other Funds.**—The reserve and other funds of all classes of societies decreased from Rs. 19.53 to 19.07 lakhs, due to the heavy reduction of the reserve funds of the agricultural societies. The total reserve and other funds represented about 23 per cent of the total working capital in the movement as against 22 per cent in the previous year. Most of the reserve fund, specially of the agricultural societies, is still locked up in the working capital of the societies and the Departmental staff is continuing the vigorous attempts to have these funds separately invested but with no appreciable results yet. As most of these societies are in extreme difficulties to meet the obligatory charges of re-paying the long overdue loans of financing banks and matured deposits due to unsatisfactory collections, it is not possible to get the reserve funds separately invested so easily.

**General Remarks.**—Heavy accumulation of overdues has brought despondency and nervousness amongst the members of the agricultural societies resulting in reluctance to pay, as there is hardly any hope of fresh finance in villages due to the present conditions prevailing in the money market. In fact, fresh finance in rural areas for agricultural purposes is a serious problem now. Most of the other provinces have already taken up the question of rehabilitation of the movement and are tackling the problem by advancing finances and providing adequate staff with other beneficial measures. But nothing substantial has yet been done in this Province to save the movement from collapse. I have cried hoarse over it for years past but without any tangible results. In the Government resolution on the last year's report it was mentioned that actually proposals for increase of staff were started but due to financial situation provision for only nine Assistant Auditors could be made in the current year's budget, and Government had under consideration a proposal to finance the Provincial Bank with a handsome loan, the details of which were being worked out. It has since been decided by the Government to offer a loan of Rupees one lakh to the Bank at 5 per cent per annum. In my last year's report I stressed the immediate necessity of adequate financial help by the Government for the movement and I do hope that the help sought for will be forthcoming without further delay

## HYDERABAD

**Government Review of the Report of the Registrar of Co-operative Societies, H.E.H. The Nizam's Government, for Fasli 1348-1349 (1939-40).**

**Number of Societies and Working Capital.**—Societies newly registered during the year numbered 336 as against 279 in the previous year, while cancelled societies totalled 15. The total number of societies of all types in the Dominions increased from 3638 to 3958 and membership rose from 1,37,948 to 1,54,412. The working capital of the movement increased from Rs. 2,74,73,311 to Rs. 2,77,56,935. The paid-up share capital and the various reserves were larger than last year, and stood at

Rs. 63,45,273 and Rs. 57,42,408 respectively—their proportion in the aggregate being 48 per cent of the working capital, as compared to 46 per cent of the year before.

**The Central Co-operative Union.**—The Central Co-operative Union carried out its educative and propaganda work with a staff consisting of an Educational Officer and ten propagandists. Co-operative week-end classes were held at 23 centres and were attended by 300 members of societies. Officers' training class was attended by 102 candidates, out of whom only 10 passed in the examination. Training class for supervisors were attended by 132 candidates, while the rural reconstruction class at Patancheru Rural Development Centre was attended by 37 teachers of primary schools. On the administrative side the Union employed 128 supervisors for the supervision of village societies at a cost of Rs. 85,432.

**The Dominion Bank.**—The Dominion Bank maintained its strong financial position with a paid-up share capital of Rs. 5,60,580 and reserves of Rs. 9,02,954. The owned capital stood at Rs. 14,63,534 as against outside liabilities amounting to Rs. 28,70,992. There was a marked improvement in its transactions with central banks and societies to whom it advanced Rs. 5,02,083. Rs. 17,52,544 was recovered from them, leaving Rs. 7,95,115 outstanding as against Rs. 20,45,596 in the previous year. The Bank advanced house-building loans to Government servants amounting to Rs. 4,25,320, leaving Rs. 8,91,655 outstanding at the end of the year.

**Central Banks.**—The central banks did not show any marked improvement on last year's position, though their membership rose from 4685 to 4843 and the working capital from Rs. 65,09,725 to Rs. 66,98,310. The financial position of nine of them, viz., Aurangabad, Hingoli, Medak, Sangareddy, Nalgonda, Suryapet, Gulbarga; Raichur and Yadgir central banks caused anxiety; because, out of a total of Rs. 33·37 lakhs outstanding with the primary societies affiliated to them, as much as Rs. 7·80 lakhs was overdue under interest. The banks themselves owed Rs. 12·02 lakhs principal and Rs. 11·65 lakhs interest to the Dominion Bank and Rs. 7·66 lakhs to depositors. An exhaustive examination of the assets and liabilities of village societies affiliated to them disclosed the fact that the societies, and in their turn the central banks, could not recover fully the amounts outstanding as arrears. It was therefore decided to scale down the debts of individual members to bring them within their repaying capacity, and to advance concessional loans to the central banks to enable them to write off bad debts. These nine central banks were therefore advanced by Government loans amounting to Rs. 8 lakhs free of interest repayable in five years, and Rs. 7 lakhs at 3 per cent payable in 10 years. The sum of 15 lakhs thus placed at their disposal was utilised in consultation with the Registrar to repay the outstandings owed to the Dominion Bank and to depositors bearing interest at 3 per cent and over. It is hoped that this financial assistance given by Government will save societies from going into wholesale liquidation and will help the banks in following a policy of augmenting their reserves, which will inevitably have to be drawn up to wipe out losses. The situation will be closely watched.

**Thrift and credit Societies.**—The number of village thrift and credit societies increased from 2909 to 3188 and their membership from 63,359 to 70,514. Their working capital including that of rural banks stood at Rs. 85,55,550 while their owned capital was Rs. 41,63,651. The proportion of the owned to the working capital was 48·5 per cent. Loans advanced to members were a little higher than last year and amounted to Rs. 7,54,853 while recoveries made from them aggregated



to Rs. 8,61,392 principal and Rs. 4,99,694 interest. It is gratifying to note that recoveries were above the average of the last several years.

**Grain Banks.**—The increase in the number of grain banks from 75 to 92 shows that they are becoming popular in villages. The Department will be well advised to start such banks in all villages where credit societies are working well.

**Non-agricultural Societies.**—It is satisfactory to find that non-agricultural societies are maintaining steady progress. Their number and membership rose from 659 to 52,629 to 701, and 64,285 respectively, while their working capital increased from Rs. 53,93,594 to Rs. 56,76,715. The proportion of the owned to the working capital improved from 67·5 to 68·9 per cent. The number of salary earners' societies increased from 280 to 293, and their membership increased from 19,054 to 20,013, while working capital rose from Rs. 34,42,214 to Rs. 35,39,012. The owned capital also increased from Rs. 26,78,350 to Rs. 27,93,363. The proportion of the latter to the working capital was 78·8 as against 77·8 per cent in the last year.

**Cotton Sale Societies.**—The number of cotton sale societies remained at 10. Their membership improved from 791 to 845. Their working capital was Rs. 50,381 and the owned capital Rs. 26,464. The number of sale societies other than cotton sale societies increased from 8 to 9 and the membership from 1,256 to 1,627. The working capital rose from Rs. 46,618 to Rs. 64,534 and the owned capital from Rs. 30,193 to Rs. 35,517.

**Co-operative Insurance Society.**—Progress made by the Co-operative Insurance Society was very encouraging. Its membership increased from 1,000 to 2,488 and the sum assured was Rs. 15,77,983. The total income of the society was Rs. 1,47,535 as against Rs. 78,856 in the previous year, and the Life Assurance Fund rose from Rs. 73,969 to Rs. 1,70,736. The society earned a net profit of Rs. 10,395 as against Rs. 2,838 in the year before. After the first valuation the society declared a bonus at Rs. 15 per thousand on whole-life assurance and Rs. 12 per thousand on endowment policies.

**Concluding observations of the Registrar, Mr. S. Fazalullah., H.C.S.**—The movement continued to make slow but steady progress. While every endeavour was made to revitalise societies in districts which suffered from mistakes made in the past, all possible attention was given to help their healthy growth in villages which are desirous of shaping their future on co-operative lines. There is a large field for expansion which has yet to be explored. Government had promised to give financial assistance on a moderate scale with a view to stimulate the development of the movement in rural areas and had made a beginning by sanctioning the appointment of 15 new organisers for the purpose. But it is feared that the exigencies of war economy would temporarily retard this process. The co-operators of the State are fully alive to the implications of the war and the sacrifices which they will be called upon to make in order to help bringing it to a successful termination.

The financial handicap notwithstanding, it may be said with confidence that the co-operators will not relax their efforts to push the movement forward. It is fortunate that it is able to count a large number of supporters both among officials and non-officials,

## COCHIN

**Extract from the Report of the Registrar of Co-operative Societies, Mr. K. Narayana Menon, for the year (1939-40).**

**Number of Societies and Working capital.**—The number of societies at the end of the year was 331. Excluding 2,539 members of the central institutions (excepting the Land Mortgage Bank) the number of members of the primary societies stood at 29,929 (of which 2,310 were females) giving an average of 97·8 per society as against 27,270 and 98·4 per society respectively in the previous year. The total working capital of all the societies rose from Rs. 42,57,638 to Rs. 47,22,639 that is by Rs. 4,54,941. The owned capital of the movement (share capital plus reserve fund) was Rs. 10,35,088, the percentage of the total owned capital to the working capital being 21·9 against 23·49 in the previous year. The average working capital was Rs. 145·4 per member and Rs. 14,894·5 per society as against Rs. 145·2 and 14,665·6 per society respectively in the previous year. The total transactions of the year fell from Rs. 1,28,54,204 to Rs. 1,22,74,675. The turnover worked at 2·59 times the working capital, against 3·00 in 1938-39. The net profit of the year was Rs. 48,191 (against Rs. 42,376). A sum of Rs. 14,72,634 was loaned out during the year, against Rs. 15,63,117 in the previous year.

**Central Bank.**—The number of members remained the same as in the previous year, at 166. Of the share holding societies, 90 were agricultural societies, 8 supervising unions, and the rest non-agricultural societies. The paid up share capital stood at Rs. 69,400, and the working capital at Rs. 10·20 lakhs. The total transactions amounted to Rs. 33·60 lakhs, and the net profit to Rs. 4,075. Deposits from individuals stood at Rs. 7,01,722 against Rs. 6,22,083 in the previous year. The rate of interest paid on deposits stood at between 1 and 4 per cent. The amount of ordinary loans issued was Rs. 75,823 in 99 cases against Rs. 1,05,408 in 115 cases in the previous year.

**The Cochin Co-operative Land Mortgage Bank.**—The membership rose from 1,828 to 2,154 and shares allotted from Rs. 7,569 to 7,894. The paid-up share capital was Rs. 78,940 against Rs. 75,690 in the previous year. The working capital and total transactions of the Bank amounted to Rs. 14,57,783 and Rs. 14,81,595, against Rs. 12,43,614 and 28,97,957 respectively in the previous year. The heavy fall in transactions is due to the very small number of applications for loans received during the first half of the year. On account of the passing of the Agricultural Relief Act, many had recourse to Courts for scaling down of debts according to the Act. Many again awaited the final outcome of the Resolution in the Legislative Council regarding issue of Credit Bonds by Government. The transactions of the Bank resulted in a net profit of Rs. 9,020 against Rs. 9,511 in the previous year. Repayments of loans were generally satisfactory, the overdues coming to only Rs. 6,995.

**Cochin Central Co-operative Institute.**—The membership stood at 38 (9 Unions, 5 Societies and 24 individuals) against 37 (8 Unions, 5 Societies, and 24 individuals) in the previous year. The total receipts of the year were Rs. 3,874-1-5 inclusive of the Government grant of Rs. 1,400 and the total disbursement came to Rs. 3,862-5-9.

**Cochin Cottage Industries Co-operative Marketing Society.**—This Central Society though started towards the close of 1914 began actual work only in the year under report. Its object is to organise rural production on a commercial basis and

their marketing. It transacts business on its own account and on consignment basis. The membership of the society stood at 67 (23 societies and 44 institutions) and the working capital at Rs. 2,355 at the end of the year.

**Supervising Unions.**—The number remained at 9, the same as in the previous year, with an aggregate membership of 114 (100) giving an average of 12·7 (12·3) society per Union. As per the revised by-laws of the Institute it is the Institute that finances the Unions from the lump-sum-grant that it receives from Government. The Institute and the Central Bank grants amounted to Rs. 567 and 80 respectively, the average expenditure of a Union amounting to Rs. 131 against Rs. 167 in the previous year.

**Depressed Class Societies.**—The number of societies stood at 41 against 43 in the previous year. The membership stood at 2031 against 1,361. The paid-up share capital was Rs. 3,153 (3046), deposits from members Rs. 1,200 (1,094), working capital Rs. 15,785 (13,642), total transactions Rs. 11,898 (10,714), loans issued Rs. 1,354 (1,839) and reserve fund Rs. 6,805 (6,024). 26 societies worked at small profits. But since 14 societies worked at losses, some of them heavy, the transactions resulted in a net loss of Rs. 139. As already stated in my previous report, credit societies for Depressed Classes have almost proved a failure.

**Fishermens' Societies.**—The number remained at 8, the same as in the previous year, and all of them were working during the year. Government have extended their liberal help for the successful working of these societies in the form of provision for loans to these societies and a small bonus to the workers. The membership stood at 347, with a working capital of Rs. 8,256 and a reserve fund of Rs. 1,220. The total transactions amounted to Rs. 6,068 and deposits from members Rs. 456.

**Purchase and sale stores.**—There were 17 societies with a membership of 1,294 and a working capital of Rs. 56,671. The total transactions amounted to Rs. 9,34,855 and the net profit worked out to Rs. 3460. Of these three stores worked at a loss.

**Production and Sale.**—The number of societies was 8, with a membership of 359 and a working capital of Rs. 12,476. The total transactions, reserve fund and the net profit amounted to Rs. 1,19,463, Rs. 606 and Rs. 514 respectively.

**Industrial Societies.**—There were 20 industrial societies with 1,430 members and the total transactions stood at Rs. 75,563. Their working capital amounted to Rs. 19,337. Six of these worked at a loss.

**Students' stationery societies.**—Out of the 8 societies only 5 worked for the whole year. The number of members was 736 and the working capital Rs. 7,087. The total transactions, reserve fund and the net profit stood at Rs. 76,894, Rs. 1,538, and Rs. 443 respectively.

**Rural Development Societies.**—Of the 24 societies only 20 were working during the year with an aggregate membership of 949, a working capital of Rs. 7,317 and a total transaction of Rs. 25,306. 15 societies earned a net profit. These societies have given an impetus to the dead and dying industries of the countryside, such as hand loom weaving, coir manufacture, making of screw pine mats, bamboo mats and baskets. They also gave a great stimulus to poultry farming, bee-keeping, running of village libraries, night schools, adult education and different kinds of co-operative effort in general.

**Insurance societies.**—The three societies had an aggregate membership of 377 a working capital of Rs. 5,647 and a total transaction of Rs. 10,306. Their benefit funds amounted to Rs. 3,113 and all of them worked at a profit.

**Model Panchayat Societies.**—These societies were evolved to cater to the economic and moral needs of the populace and combined in them all the activities of village panchayats and rural development co-operative societies. They had an aggregate membership of 1,276, a paid up share capital of Rs. 836 and a working capital of Rs. 28,745. Their total transactions came to Rs. 75,936. On account of initial expenses they, however, incurred a loss of Rs. 8 in the aggregate. Distribution of cotton seeds, manure, improved implements, agricultural and industrial requisites was taken up by these Panchayats in their respective areas of operation.

**Concluding observations of the Registrar.**—There is appreciable progress all round. The allotment of a lakh of Rupees in the State Budget for Development has contributed a mighty share towards this progress. It is also realised that all Development Departments can function most effectively and in the safest manner only through co-operative organisation. This has given a great impetus to the whole movement.

## PUDUKOTTAI

**Government Review of the Report of the Registrar of Co-operative Societies, for fasli 1349 (1939-40).**

The Co-operative Movement having been introduced in the State in 1908, this Report deals with the progress of the Movement in its 32nd Year.

**Number of Societies.**—The Fasli opened with 112 Societies. Eight societies were registered in the fasli and the registration of four societies was cancelled. Thus there were 116 societies at the end of the fasli.

**Establishment charges.**—The establishment charges amounted to Rs. 12,653. An income of Rs. 3,107 was raised by levying execution fees, audit fees and liquidation fees. The net cost represented 0.41 per cent of the total working capital of all the societies.

**Different types of Co-operative Societies.**—One was a central bank, 98 were agricultural credit societies, 15 were non-agricultural societies, one was an employees' co-operative thrift society and one was a building society. Of the 15 non-agricultural societies six were credit societies, two were weavers' societies, three were stores societies, one was a co-operative press, two were societies for the supply of books and stationery to the students and one was a medical store.

**Membership.**—The total number of members in all the societies excluding the central bank and the members which were themselves societies was 12,558, against 12,182 in the preceding fasli.

**The Central Bank.**—The number of members rose from 108 to 111 in the fasli under review. The paid-up share capital decreased from Rs. 54,032 to Rs. 52,872 and working capital from Rs. 3,07,034 to 2,95,157. The net profit rose from Rs. 684 to 1,406. The reserve fund rose from Rs. 21,807 to 22,159. A sum of Rs. 2,04,254 was due to the Central Bank from the primary societies, out of which the bank realised Rs. 87,348 leaving a balance of Rs. 1,16,856 or 57.22 per cent against 83.08 per cent in the preceding fasli. The collection under 'interest' was poor. It is gratifying to

note that the working of the scheme of rectification and consolidation of societies resulted in the reduction of overdues to the Central Bank and placed it in a better position. The working of the Central Bank however still leaves room for improvement and the Durbar expect better progress in subsequent years.

**Agricultural Credit Societies.**—At the beginning of the fasli there were 95 agricultural societies. During the fasli the registration of two societies was cancelled and five societies were registered; thus the total was 98 at the end of the fasli. The total number of members was 7,072 at the end of the fasli against 6,962 at the end of the fasli 1348. The share capital fell down from Rs. 55,470 to Rs. 54,813. The reserve fund fell down from Rs. 1,37,091 to Rs. 1,35,533. The net profit of all the societies was Rs. 9,728 against Rs. 9,262 in the previous fasli. A sum of Rs. 3,21,821 was due to the societies out of which they realised Rs. 1,17,699 leaving a balance of Rs. 2,04,122 or 68·43 per cent. The collection under interest was slightly better than in the previous fasli. Out of 98 societies only 5 can be said to be in a thoroughly satisfactory position.

**Non-Agricultural Credit Societies.**—The total number of societies under this head was six. They worked satisfactorily. The number of members increased from 4,941 to 5,136, and the share capital from Rs. 36,899 to Rs. 38,328. Members' deposits rose from Rs. 3,51,464 to Rs. 3,70,820. Non-members' deposits fell from Rs. 8,22,702 to Rs. 8,15,214. The percentage of balance to demand increased from 42·97 to 46·1.

**The Town Bank Ltd.**—is the largest of these societies. The net profit of the Bank for the fasli was Rs. 17,137 against Rs. 19,493 in the previous fasli. The management of the bank are to be congratulated on another year of useful and successful work.

The other societies falling under this category are the Brahadambal Co-operative Society, the Non-Gazetted Officers' Association Co-operative Society, and the Town Teachers' Society. They continued to work satisfactorily. The Cheri Co-operative Society, started mainly for the inhabitants of the Cheri, earned a very small profit of Rs. 3-0-0. The Co-operative Medical Union has successfully completed its second full year. It has earned a net profit of Rs. 1,113 against Rs. 1,110 in the previous fasli.

**Weavers' Societies.**—The Karambakkudi Weavers' Co-operative Society Ltd. and the Tiruvappur Weavers' Union come under this category. The former was started only on 9-5-'40, while the latter worked throughout the fasli and earned a net profit of Rs. 235, against Rs. 300 in the previous fasli. The Government continued to meet the pay of the clerk of the sales depot of the latter Society. It is regrettable that in spite of the assistance given by the Government during the last three faslis, this Society has not succeeded in making itself self-supporting.

**Store Societies.**—The three societies under this head are those at Alangudi and Ambalpuram, and the newly started Store at Tirumayam. The first two stores earned a profit of Rs. 41 and 32 respectively.

**The Co-operative Press.**—The Society earned a net profit of Rs. 1,000 against Rs. 2,000 in the previous fasli.

**Societies for the supply of books and stationery.**—The Teachers' Benevolent Co-operative Society Ltd., earned a profit of Rs. 405 against Rs. 275 in the previ-

ous fasli, and the College Society earned a net profit of Rs. 1,000 against Rs. 576 in the previous fasli.

**Building Society.**—The Government Servants' Co-operative Building Society Ltd., worked well and earned a net profit of Rs. 740 against Rs. 676 in the previous fasli.

**Supervision.**—The Central Bank continued to administer the Supervision Fund and control the work of the supervisors employed for the purpose.

**The following are the concluding remarks of the Registrar of Co-operative Societies, Mr. G. Krishnaswami Naidu.**

The losses from bad co-operative societies estimated at Rs. 40,000 some years ago, are now after over 2 years of working the scheme of rectification and consolidation of Societies, found to be Rs. 20,000, which is well within the total of reserve fund and bad debt fund of the bank put together viz., Rs. 28,500. It is no mean achievement for the central bank to have thus come into the zone of safety. As a result of the working of the scheme not only collections have increased but also there is a fall in the number of bad societies from 38 in 1936-37 to 28 and increase in the total under A and B class Societies from 29 to 39. Seeing that the fruits so far reaped have thus been substantial the bank has decided to extend the period of appointment of the Special Officer entrusted with the work for another year from 1-8-40. It may be hoped that when the scheme is worked to its logical conclusion, the societies surviving the necessary weeding out will be sound and the position of the Central Bank greatly improved.

The operation of the Agricultural Relief Regulations, and the general stringency in the money-market have contributed to bring about a strong tendency for private sources of credit to become shy and eventually dry up. It is hoped that the time will not be far off when the normal and natural source of credit to the agriculturist will be his village co-operative society which will not only accommodate him with cash loans but also help him to produce more from his land and get more money for his produce. Out of a total population of 4,00,694 (1931 census) in the State, only 12,558 are members in co-operative societies at present. The immediate task of co-operators, both official and non-official alike, should, therefore, be to take all possible steps to bring a fairly respectable percentage of the rural population under the benefits of co-operation.

## **CO-OPERATIVE CONFERENCES AND MEETINGS**

### **THE TWENTY-FOURTH UNITED PROVINCES CO-OPERATIVE CONFERENCE HELD AT GORAKHPUR ON 26TH AND 27TH APRIL, 1941.**

**Extracts from the Welcome Address by Rai Bahadur Madhusudan Das.**

This sacred soil of the Gorakhpur district is fertile but is in the hands of an ignorant and poor agriculturist with uneconomic holdings. Very little land of the district is wholly sterile and the moist and abundant rainfall make a rich harvest possible even without irrigational facilities. Most of the jungle of the past has given place to fertile land. Sugarcane and paddy are the chief crops, the former having gained its importance on account of the establishment of no less than 23 sugar factories in the districts. Despite these blessings the district is a favourite haunt of diseases, famine, floods and indescribable poverty.

With the object of securing money at easier rates to agriculturists and to free them from the hardship of indebtedness the co-operative work was started in the district with the establishment of co-operative banks at Gorakhpur and Deoria. The District Co-operative Bank Ltd., Gorakhpur, was registered under Act X of 1904 in 1906. During the first nine months of its existence 75 village societies were affiliated and 348 individual share-holders were gained the former receiving loans at 12½ per cent and the latter at 15 per cent, while the amounts advanced were Rs. 30,575 and Rs. 15,825 respectively. The working expenses were only Rs. 464 and, though the season was far from favourable, the Bank experienced no difficulty in recovering the loans. When the Co-operative Act was revised in 1912 all societies in this Bank were brought under the operations of the new Act. The Bank has ever since shown steady progress. During the co-operative year ending the 30th June 1940, the working capital of the Bank was Rs. 7 lakhs yielding a net profit of Rs. 15,000. The great rise in the working capital is due mainly to the financing of cane-supply societies, a large number of which have been started in the district after the passing of the Sugar Factories' Control Act. The profits have not risen correspondingly on account of the low margin of 2 per cent between the borrowing and lending rates.

In 1931 the credit societies affiliated to the Bank began to show unhealthy signs on account of over and indiscriminate loaning. In 1936, the Bank had to launch a relief scheme for five years. All overdue interest was written off and future interest on all overdue loans was stopped. The Bank undertook to meet Rs. 28,000 from its Bad Debt Funds. The result of the scheme was, however, baneful and encouraged non-payment of loans. The scheme, therefore, ended in June, 1940.

The investment of the Bank in the credit societies on the 30th June 1940 was at the alarmingly low figure of Rs. 40,000. This is chiefly due to the policy of the Co-operative Department against the organisation of new societies.

The Bank was primarily meant for agricultural credit but gradually with changes in the economic condition of the district, this has taken up multifarious

activities including better living, cane-marketing, industrial, thrift, employees and women societies and the number of societies affiliated to it up to date is 311 rural and 20 urban. The village moneylender regards the Bank with great disfavour which is a very promising sign. The confidence that the public reposes in the Bank is proved by the rise in the working capital by Rs. 2 lakhs during the last year in spite of the adverse effects of the war.

We have also lately taken up the co-operative marketing of agricultural produce in the district. Direct purchase, commission system and *arhat* system are all being tried. The marketing unions earned a profit of Rs. 2,928 in the year ending June 1940. The competition with the *bantias* is very severe and the prices have risen where ever co-operative societies have taken up the marketing work. The peasant who markets his agricultural produce through the co-operative societies has been saved from a number of unauthorised charges, such as *kahari*, *chamari*, *dhakari*, etc.

The offices of the Cane Development Officer and the Assistant Registrar are held by one and the same officer and it was, therefore, easily possible to convert a number of Cane Development and Sale societies into multipurpose societies carrying on credit, cane supply, marketing of agricultural produce and other activities for which separate societies were necessary formerly. The experiment is being tried in the jurisdiction of one circle officer only. The results have been encouraging, the realisations have become better and on account of a large number of staff which has become available from the cane unions the general supervision of the societies has improved. The scheme was not accepted by the Deoria-Kasia Bank but from the results achieved here, I hope, they will give it a trial.

Other co-operative activities in the district include a land mortgage society, industrial societies, weavers' stores, depressed classes societies, women's societies, a student store under organization, salary earners' societies and a co-operative open pan sugar factory. Briefly stated all of them have shown steady progress. The weaver's stores have attained a remarkable efficiency in workmanship and cloth made by it is greatly in demand by customers of the U. P. Handloom Emporium. The salary earners' societies include societies of the employees of almost all the big Government and private offices of the district. We have also got a Hindi Literature Development Society. To train adult school teachers working in the adult schools, of which a large number have been started in the district, a co-operative adult education institute has been opened in the district and a special Adult Education Inspector has been put in charge of the institution.

The Deoria-Kasia Central Co-operative Bank Ltd., is a successor of the Kasia Central Bank Ltd., which was started at Kasia in 1902, when the working capital was raised by the sale of 6 per cent debentures. The Bank showed a surprising progress as the amounts advanced went up from Rs. 1,043 in the first year to Rs. 2,900 in the second year. In 1906 the Bank was converted into a limited liability concern Under Act X of 1904 and the capital was raised by the issue of ten rupee shares. At present the Bank is registered under the new Act of 1912. The working capital stands at Rs. 5,56,000 of which 1,59,600 is owned. Reserve Funds amount to Rs. 50,000. The total borrowing rate varied from 3 to 5 per cent and lending rates were 7 to 9 per cent. The largest loans advanced were for agricultural purposes. The membership consists of 90 individuals and 39 societies. Distributable profits in 1939-40 amounted to Rs. 5,629.



We are meeting under the dark clouds of world war and our Government is carrying on this crusade against Nazism and Hitlerism. We, the co-operators, have done our best to co-operate with the Government in all kinds.

**Extracts from the Opening Address of G. M. Harper Esqr., C.I.E., I.C.S., Senior Member, Board of Revenue, U.P.**

For those who seek to cure the ills of the country-side there, always, is the feeling that it is a losing fight. The scheme of rural development, including the Co-operative Movement, Debt Legislation, Public Health schemes and the effort to combat illiteracy—all produce such unsatisfying results. All these efforts seem doomed to comparative futility by the increasing pressure of population on the soil. In a recent Settlement Report from one area, it was pointed out, that the population was just short of 1000 persons per cultivated mile and our economists will now be deep in discussing the enormous increase in population revealed by the recent census. The Settlement Reports show that over a period of 40 years an increase of 10 per cent in the cultivated area is the most which can be expected but this is an increase which is produced in the population in only ten years. To counteract this, however, there is an increase in the value of produce by 25 to 35 per cent in a period of 40 years. It is in this increase in the produce values that salvation lies and it is in this that the Co-operative Movement plays its part. Unfortunately, the rise in the produce values, again, is far from being a matter which thought and enterprise can control. Every effort whether by better agricultural processes or by co-operation of resources breaks down under the influence of largely uncontrollable prices, and these form the foundation of produce values.

Apart from the Census, the great event of the year is the World War. We in India are still almost unaffected. But the tide cannot be checked. It will, in time, undoubtedly sweep over the countryside making itself felt even in the most remote village. It need not necessarily be all to the bad. If those who are fighting for us in the arid sands of Libya or the mountainous passes of Greece, while we sit in this hall in safety and comfort, if they, achieve their purpose and keep war's alarms and destruction far from our doors, the Indian villager will gain, perhaps enormously from the increased demand for industrial and agricultural activity and the products thereof, resulting in a rise in the prices of all the products of the village and so bringing it increased prosperity. The prosperity may be followed by the slump and once again all the resources of statesmanship will be strained to meet the blow.

There has been a wide departure from the early restricted utility of the Movement as a source of agricultural credit; it now extends to a large number of activities. But we find the number of liquidated societies excessive, while the condition of many societies is deplorable. Many of the better-living societies exist only on paper, while there are bitter complaints of inadequate personnel. The number of member-secretaries is very disappointing and there is much self-seeking and little personal interest amongst the Directors. The basis of the Co-operative Movement is in the democratic principle. It is no wonder that it gives some justification for the school of thought which considers that the democratic principle is too unreliable and too unsuited to local conditions to justify its acceptance as a universal panacea.

On the other hand there are reports more encouraging. They represent a year of expansion and prosperity, the successful conversion of old credit societies into village banks, a remarkable improvement in collections and substantial profits. Agricultural marketing and ghee societies have been in many cases a marked suc-

cess. Taking both sides of the picture it is clear that a movement which has been accepted as sound throughout the world must prove a success here. It has survived for 40 years and is now with all its ups and downs, fairly established on an assured basis.

Extracts from the Presidential Address of Sri T. A. Ramalingam Chettiar, M.L.C., President, Madras Co-operative Central Land Mortgage Bank Ltd., and Madras Provincial Co-operative Union.

At the present time all values attached to institutions are being reconsidered and efforts are being made to build up a new world. It is up to us to prove the worth of our movement and advance its claims for adoption on a larger scale to solve the problems of the world. But before we do so, we have to satisfy ourselves that the movement can be worked on sound lines to achieve the ideals which it has put before itself for securing an equal share in production and distribution for all. It is for us to examine whether, in the movement the principle of 'each for all and all for each' actually works or whether, as it often happens, it is observed more in the breach than in the observance.

In the present state of our people the majority of whom are not able to have even a full meal a day and the ordinary cultivator cannot invest even a few rupees for improved implements or good seeds and his ignorance is appalling, it cannot be said that co-operation is altogether a voluntary organisation in our country as it obtains in other countries. In most cases people are drawn into the movement by the lure of getting loans at cheap rates of interest and they understand very little of the principles of the movement. This gives advantage to those in charge of the societies, as they become virtually the dictators and the ordinary member knows nothing of how the work goes on. In large societies like the District and Provincial Institutions the ordinary member takes very little interest and there also those in charge of institutions have got every thing their own way. In this state of affairs there is a very great responsibility resting on those who run the institutions and the success or the failure of the movement in any district or province depends entirely on the character of these men and the watchfulness of some sort of public opinion or supervising authority. Hence there is necessity for devising some method of supervision of small as well as big institutions. Co-operative movement is itself an extraneous movement imposed from above by Government action. We have a hierarchy of institutions, one above the other, and so also a hierarchy of officials who start and control the societies. The theory of *laissez faire* has no place in the organisation and working of co-operative societies in this country. The power of correction, setting right things, and in extreme cases, of liquidation of societies and rendering justice to all, have to be vested in some authority and at present there is no authority except the co-operative officials in whom it can be vested. Complaints against official interference in individual cases cannot be avoided in any human agency. But for the purpose of checking the evils of bureaucratic ideas and ideals, I would suggest the association of non-official workers with officials in cases of importance.

The poverty of our people and their indebtedness attracted the notice of everybody who came to India and it was evident everywhere. It was with a view to save the agriculturist from the burden of his indebtedness that the co-operative movement was first started in India. The first Co-operative Societies' Act was framed for this purpose and the first societies started were for credit. It was soon found, that if an agriculturist's old debts were cleared, it was not enough ;

he has to be financed for his business of agriculture as in other businesses. When ideas of banking began to be applied to co-operative societies, the first object with which the co-operative societies were formed was forgotten and it was said that the co-operative societies should lend money only for cultivation purposes for short term. It was soon clear that whatever abstract ideas and abstract principles may be, the agriculturist whose income is from his agriculture alone, cannot keep himself in water-tight compartments and be a good business man in relation to his cultivation loan, while he has other demands to meet. If we have to help him, we have to meet all his economic needs together. We ought to be prepared to help him with loans for all his legitimate needs whether they be productive or unproductive. We have to so adjust the loan, the repayment and the instalment in which payment should be made in such a way, that he will be able to discharge all his debts within a convenient time from his income. Otherwise, we will not be doing him any service. I am very glad that the Reserve Bank of India which first recommended the confining of co-operative loans to cultivation expenses has now come round to the proper view.

In a country like India where people are so poor, the scope for co-operation is very large. It can embrace practically the whole economic life of the people. During the last 10 years, we are trying to adopt the co-operative method, in various ways, to suit the requirements of the agriculturists and others. So far as the agriculturist is concerned, it is now about 15 years since we started the idea, that we should supply his needs and advance money for his cultivation expenses, on the understanding, that all his crops should be brought to a co-operative society for sale and the proceeds should be first credited towards his debts and the balance alone be paid to him. This system is now called 'Controlled Credit'. But when we started, we called the loans, cultivation loans, and the primary societies lent money after taking an agreement from the ryot that he would send his produce to the nearest loan and sale society for sale. I ought to say, even in the first attempts we made, a large number of those who took loans did not send their produce to the loan and sale societies but very often they sold them in the village itself and repaid their dues. Any way by adopting this system, the problem of overdues was reduced to a very considerable extent. In this scheme no arrangement was made for long term loans.

The problem of long-term credit is a complicated one and it has been tackled so far only in a few provinces and even there not in an adequate manner. Madras can probably claim precedence in this matter. It has so far lent about 2½ crores of rupees to agriculturists. There are now 120 land mortgage banks working, though it cannot be said to have been successful in helping the people equally in all the districts.

I see from the proceedings of the last conference of your province and the report of the Registrar of Co-operative Societies that you have decided to encourage the formation of multi-purpose societies on limited liability basis and have already converted some unlimited liability societies into limited liability societies and that you are organising new societies on the same basis. As you know, unlimited liability, mutual knowledge of each other and mutual supervision of each other are the fundamentals of a Raiffeisen Society. Some countries, which have got multipurpose societies, still retain the unlimited liability and some which went out of unlimited liability have, after some experience, come back to the orthodox position. I am convinced our safety lies in our continuing in the fundamental principles of Raiffeisen Co-operation and having small societies for small areas like

villages for discharging credit and such other simple functions as they can undertake under their present constitution. For functions like marketing, processing and other purposes, societies for much larger areas will have to be formed on limited liability basis to which rural societies can get affiliated. We are trying this method in the potato-growers' society, and other institutions.

One of the questions agitating our province, and probably other provinces, as well, is the period for which rural societies can lend money. Until the land mortgage banks were started, co-operators wanted to make provision for giving loans upto 10 years through rural societies. The difficulty was to find the funds necessary, because the district banks which were getting deposits either current or for only two to three years could not afford to lend money for long periods. We have agreed in our province that short-term loans up to five years may be given through the rural credit societies and loans for longer periods may be left to be supplied by land mortgage banks.

I was very glad to find from your report that your societies were working very well and the question of overdues is not a serious problem in your province. You hold the first rank in the matter of proper and punctual business methods which you have adopted to secure repayments without default. The finances necessary for rural societies are generally supplied by the district banks. Here again your banks have been doing very good work but it is not every district bank that can afford to get all the money that is necessary to finance rural societies affiliated to it. Further, the needs of the Co-operative Movement are increasing for financing the rural societies, which are going to be encouraged to extend their activities in all directions, for the marketing societies, for the stores and other societies that will be organised to perform various functions. Even in our province many of the district banks depend for their finance on the Provincial Bank which is able to get all the money the district banks require and supply the same where necessary. Some of the district banks have got surpluses and these are being utilised for the needs of other banks which require money through the offices of the Provincial Bank. Even though the central bank is not lending at present much to the co-operative institutions, the help required of the Reserve Bank will go on increasing. For the movement of money from place to place the services of the Provincial Bank are useful. It is a matter of great surprise and disappointment that no Provincial Bank has yet been started for the U.P. which is the biggest Province in the whole of India. I am sure with a Provincial Bank at the top, prepared to finance all the requirements of the movement, your province would have made much greater progress than it has done at present.

While societies were few and tried men with patriotic motives were available for co-operative work, the societies were working well. When a push was given for the organisation of societies and they began to multiply even tenfold in some areas, the difficulty of finding proper men for working the societies arose. This has brought the question of proper management of societies to the fore front. It is found increasingly difficult to find young men prepared to do steady work on a voluntary basis. Co-operative work has not got the same attraction as politics and there are very few prepared to devote themselves to co-operative work. While the simple village societies should ordinarily manage themselves, there ought to be paid trained staff for the management of bigger societies. In addition to it, a proper and closer supervision of societies is a necessity. It has been one of my dreams that, for four or five villages, a properly trained guide and adviser should be appointed to look after the co-operative socie-

ties, village panchayats, village sanitation, village education and supervision, and who should be supervised by the officers of the various departments.

Let me congratulate you on the splendid work you have been doing for social uplift by the formation of better living societies. It is one distinct line of work which everybody appreciates and wants to follow, but without success. In these societies you have secured the co-operation of different elements, working for social uplift and the very difficult work of introducing an atmosphere of cheerful optimism in the villages and have succeeded in introducing better hygienic living and better housing, improved methods of agriculture and preservation of manure. It is a great feat you have achieved in so many villages in which you have started these societies.

I admire much more the steadiness with which you have been pursuing the lines of work you undertook, whether it be in the case of ghee societies, sugar-cane societies, or milk supply unions. Whatever you took up, you did with all your heart for all their worth with the result they are flourishing institutions. Your efforts regarding milk supply unions and women societies are bound to succeed as much as the other societies. In the womens' societies there is a field of work which requires closer study and more earnest application than we have been able to spare so far.

The district banks in Madras are much bigger institutions than those in the United Provinces. There are, no doubt, some whose turnover was only a couple of lakhs, but there are also banks whose turnover came to nearly Rs. 50 lakhs. It was due to the interest taken by leading men in the districts that these banks were nurtured and developed. We were also fortunate in having a number of non-official gentlemen and retired officials to work in the co-operative movement. There was, thus, a strong body of influential and assertive non-official opinion in the Province. Our Province represents the extreme of having in our institutions no officials nor persons nominated by officials either in the general bodies or in the executive committees, except in the case of the Central Land Mortgage Bank and other institutions which are getting special help from the Government. I have, after 15 years of intimate connection with all sorts of societies, come to the conclusion that the exploiting non-official has to be as much protected against as the over-bearing and dictatorial official. You have been working the movement in this Province in a spirit of co-operation between officials and non-officials. The officials have been the initiators and supporters of the movement to a much larger extent in this Province than in other Provinces.

The Provincial Union in our Province has got a budget of about Rs. 12,000 where as, I find, thanks to the confidence reposed in your Union by the Government and the method of getting most out of the work of organisation, supervision etc., done through the Union, you have budgeted for an expenditure of nearly Rs. 2½ lakhs. Our Union is only publishing a journal and holding conferences and Panchayatdar training classes, whereas your activities are very wide and you practically lead, initiate and supervise the institutions in the Province. It may be, that one of the reasons for the confidence that is vested in you is the close association of the Registrar and his subordinates and his nominees with the Union. Going through the constitution of your Union, it struck me, that you have been going to the other extreme of having everything done by official agency, though there is an admixture of non-official co-operators. I have come to the conclusion that we in Madras and you in the United Provinces will probably do better, if we readjust matters. A free association of the two elements will contribute a great deal to

limit the vagaries and high handedness of officials, where they exist. It will also produce a corrective to the touch-me-not attitude assumed by non-officials. The Provincial Unions of both the Madras and the United Provinces may well be examined to secure the best of these two institutions.

The following resolutions were passed at the Conference.

(1) This Conference requests the Government to place the Sugarcane Co-operative Unions entirely under the Registrar, Co-operative Societies, and the Officers working in these sugarcane co-operative unions should be placed under the control of the Registrar.

(2) A deputation of the prominent co-operators of the Province do wait on His Excellency the Governor to impress the importance of the formation of an Apex Bank.

(3) This conference is of opinion that an experiment be made to find employment for the unemployed by the formation of an Employment Co-operative Society for the educated unemployed.

(4) With a view to minimise the difficulties in the supply of pure ghee, the Government be requested kindly to prescribe definite colours for vegetable ghee sold in the market.

Government be requested to move the Municipal Boards in the Province to exempt from Octroi duty all ghee brought by the members of co-operative societies for sale at the co-operative marketing unions established in the mandies.

(5) Until a Provincial Bank is formed and is able to supply necessary finance, Government be requested to provide special loans at a cheap rate of interest to district and central co-operative banks for financing marketing operations and to finance special types of societies such as irrigation societies, seed stores, marketing unions, ghee and milk supply societies etc.

(6) The Reserve Bank of India be requested to revise their rules and afford remittance facilities and charge the same rates from all the central banks as allowed to scheduled banks on exchange business.

(7) Co-operative banks be permitted to allow their individual members overdrafts on the security of fixed deposits.

(8) All isolated societies be advised to get themselves affiliated to the district or central co-operative banks, and all non-member central institutions in the province be advised to become members of the U.P. Co-operative Union.

(9) This conference recommends to the Government that it be made obligatory on the mills to make purchases of cane proportionately from all the members of societies within its jurisdiction and that in the years of excessive production, the proportion be reduced instead of reducing the number of centres. No centre running this year be excluded from the reserved area of the mills.

(10) This conference requests the local Government to be pleased to grant adequate compensation to the cane growers of the U.P. who have suffered heavy losses during the crushing season of 1940-41.

(11) Women uplift work in the province on co-operative lines be further extended and strengthened by organising better living societies for women in almost all the districts of the province and under almost all the co-operative banks which may be requested to contribute towards this humanitarian cause out of their working expenses, profits or any other fund.

(12) The Registrar, Co-operative Societies may be requested to encourage the formation of consumers' stores.

(13) In view of the operations of the U.P. Debt Redemption Act and the U.P. Regulation of Agricultural Credit Act and its effect on agricultural credit, this Conference is of opinion that the formation of new credit co-operative societies be taken up in right earnest and with this object in view, the Co-operative Union and the Registrar be requested to chalk out a systematic five-year plan for development.

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### THE 11TH ANDHRA PROVINCIAL CO-OPERATIVE CONFERENCE HELD AT BHIMADOLE ON 29TH APRIL, 1941.

The Conference which was organised by the Andhra Co-operative Union was held at Bhimadole, West Godavary District on 29th April, 1941. Dr. P. Guruswami, the veteran Andhra Co-operator and the President of the Andhra Co-operative Union initiated the proceedings by proposing Sri G. Hariswarthama Rao, M.A., to preside over the Conference and he was duly elected unanimously and occupied the Chair.

**Welcome Address.**—Dewan Bahadur Mote Gangaraju Garu, Zamindar, Ellore, delivered the welcome address, as the Chairman of the Reception Committee, in Telugu. The following is the substance of his address

After depicting the deplorable economic position of the villages, he made an earnest appeal for making the country parts as self-sufficient as possible in regard to the economic needs of the rural population. The Co-operative Credit Movement has, no doubt, helped the ryot to a small extent by bringing down the rates of interest on his borrowings but beyond that it has not helped to improve his economic position. He paid a compliment to the present Registrar for promoting non-credit activities, particularly organisation of societies for the supply of milk and sale of agricultural and horticultural products, besides organising consumers' stores for urban and semi-urban areas. He made a pointed reference to the Co-operative Sugar Factory of Vuyyuru in Kistna District the largest Co-operative Industrial concern in this Province. This institution, he said, has been trying to get out of the co-operative sphere and to get itself incorporated under some provision of law other than the Co-operative Societies Act. He regretted very much this development in the history of the society. He urged that the causes for the dissatisfaction of the society with the present arrangements should be investigated into and that suitable remedial measures adopted to prevent the institution from changing hands to a capitalistic concern or being cornered by a few enterprising and influential members. With regard to the loan and sale societies, he said that they were not only financing agriculturists for storing their products in order to secure adequate prices, but also the rich middle men and big traders who are storing, particularly paddy, in large quantities. There is thus a dearth of paddy in the market at certain times and the poor classes of consumers are being put to great hardship. Discussing the recommendations of the Madras Committee on Co-operation he expressed his concurrence with the Committee's view that the present Madras Provincial Co-operative Bank be bifurcated and that separate Banks be formed for the Telugu and Tamil areas, and that the Madras Provincial Co-operative Union should be reconstituted as a Federation of Language Unions. In con-

clusion he appealed to officials and non-officials in charge of the movement to consider themselves as brother co-operators and join hands to reform the movement so as to make it serve the interests of the masses more efficiently.

#### Presidential Address.

The President Mr. G. Harisarvothama Rao, then delivered his address in Telugu, and the following is a summary of it.

It is my firm conviction that if we desire the world's peace, at least after this war and would have Democracy live for ever, the economic structure must quickly change over to the co-operative system. It looks to me to be the paramount duty of the world co-operators to press this point of view with all their might at the next peace conference in the interest of the World's future.

Co-operation and for the matter of that, Democracy is attainable only through what in Indian technical phraseology, we would call *Gnanayoga Sadhana*, i.e., through concentration upon the achievement of knowledge. How else is this achievement possible except through extensive and intensive propaganda in the language that the ordinary man in the street can understand? Is this not really the bedrock on which the foundations of democracy and co-operation have to be laid? Therefore the Vijayaraghavachari Committee on Co-operation (in paragraph 375) have resolved that at least so far as their own subject was concerned there should be a division immediately on the basis of the local languages. There is a certain amount of Telugu-Tamil acrimony in the air to-day. That should not in the least deter us from doing the right thing in the proper manner. It should not stand in the way of achieving a fundamental reform. It was in 1927, when I was a member of the Madras Legislative Council, that I demanded that the whole administration of the district should be carried on in the language of the area. I was only laughed at. But that has not set aside the need that still exists and shall persist as long as it is not remedied. My stand for an Andhra Province is based on that primary need for all democratic life. I may pass on to the next subject with just a note of warning to my Circars brethren. The Rayalaseema deserves careful nurturing at their hands, for, to-day it is the poorer portion of Andhra. The co-operative movement is for the poorer sections. To give the Rayalseema full scope to expand through the employment of its children in this field or work with Madras as centre would go a long way to win them over for the Province.

**Co-operative Education.**—Education and propaganda being the soul of co-operation, the equipment of its leaders in the rural areas should be up to the mark. The person that has to be friend and philosopher and guide to the villager has need to be properly trained. It is something that the itinerant training institutions have become permanent, that at Anantapur being operative only in alternative years. But even with this improvement the arrangement is far from satisfactory. The syllabus does not cover enough to make these men sufficiently serviceable for all the needs of the villager. The medium of instruction should no longer continue to be in the English language. The language of the area must be the medium. A college for rural guides has been discussed in the Madras Journal of Co-operation and the Village Panchayat Journal. So long as a comprehensive scheme as was envisaged in those discussions should remain unachieved the so called co-operative training would only fit the trained to clerical and audit and account posts.



**Panchayats and Co-operative Societies.**—The Vijiaraghavachariar Committee put probably too much stress on the priority that should be given to the establishment of the co-operative society in the villages. While I entirely agree with them that no village should be without co-operative service, I go further and state no village finance should be outside the co-operative control, and I maintain that, as correctly pointed out by the committee, the village Panchayat is equally essential. The Administrative Swaraj of the Village is carried out by the Panchayat and the Economic Swaraj by the co-operative society. To me both are the facets of the same shield and they may not remain one without the other.

**The Five Year Plan.**—It is well that the Vijiaraghavachari Committee has suggested the universal formation of co-operative societies for all villages within five years clubbing, if need be, a few villages together within a radius of five miles for the purpose, of course with intensive educational effort preceding such a plan.

**Bifurcation of the Provincial Central Bank.**—Consistently with the recommendation that the local languages should develop federated autonomy for purposes of work and education the Committee have recommended that the Madras Provincial Co-operative Bank should be split into two for Telugu and Tamil areas with headquarters in Madras.

From the figures available it is clear that the Madras Provincial Co-operative Bank, as at present constituted, has financed the central banks in the Telugu areas to a much larger extent than those in the other areas as the following figures will show:

Loans advanced to Central Banks :—

Year.	Telugu areas.	Other areas.
	Rs.	Rs.
1938-39	57,67,329	15,47,719
1939-40	89,95,444	22,95,133
1-7-'40 to 31-3-'41.	96,52,417	13,15,619

The central banks in Telugu areas paid Rs. 5,48,330 as interest to the Provincial Bank while other district banks paid in the same period Rs. 1,27,300. In regard to loans on the pledge of agricultural produce also the same disparity appears.

Year	Telugu areas	Other areas
	Rs.	Rs.
1938-39	52,57,854	9,73,771
1939-40	65,62,675	7,85,034

Thus roughly the Provincial Bank's business with the Telugu areas is about 5 times that of the other areas of the Province. This would probably indicate a

difference in the two temperaments. Whereas the central banks in the other areas appear to depend more on local resources for their finance, the Telugu banks seem to look up more to the metropolitan centre.

Apart from this reading of special temperaments decentralisation on a linguistic basis appears to be a great need in a democratic movement like co-operation and a fair case does exist for this much of change. It would not do for the Rayalaseema to oppose this change because of some fancied opposition to the linguistic province. With Madras as Centre and with the co-operation of the sister districts of Nellore and Guntur to the South of Krishna, the Rayalaseema is bound to wield a predominant influence in a constituted Andhra area.

**Land Mortgage Bank.**—I must dissent from the views taken by the Vijiaraghavachari Committee that it is difficult to extend the time limit for repayment of land mortgage bank debts beyond 25 years. The insurance and other long lying funds of the land should be made to flow into the land mortgage co-operatives and means should be found to wipe out the debts of agriculturists by arranging forty or fifty small annual payments. The dry areas of Rayalaseema cry for help, which the present policy is not able to render; even as it is, I do think, that Mr. R. Suryanarayana Rao has in his dissenting minute made a sensible suggestion that during difficult year, payments should not be insisted on in the Rayalaseema and that the Famine Relief Fund should assist the mortgage bank to tide over the difficulties of such years.

**Unlimited Liability.**—The Vijiaraghavachariar Committee have devoted very great space and attention to the question of unlimited liability. By a majority the Committee have come to the conclusion that this should go. There is no doubt that this is an unco-operative step. But the circumstances under which co-operation is being worked in this country seem to necessitate such a step. The co-operative acts have placed more and more powers in the hands of the Registrar and his subordinates. These have been more and more concerned with collecting arrears which in their turn have grown enormously heavy on account of the continued policy of the Department that has long failed to render the ryot fit to earn enough and acquire repaying capacity. Woeful neglect of propaganda in addition in a country with hardly 10 per cent of literates must produce very disastrous effects. All combined we have reached a stage where an honest villager staking his whole property for the sake of his co-operative society suffers the indignity of keeping himself in tune to please the bosses of the Co-operative Department. Until the Government takes bold and drastic steps the situation must remain what it is. The private banker should be fully replaced by co-operative banking. Multi-purpose societies should be universally formed and the ryot enabled to conserve and strengthen his resources. He must be made to realise that his future is entirely in his hands, not in the hands of a distant Registrar or his subordinates. At that stage even limited liability itself would achieve the whole objective. Without this intensive work the imposition of unlimited liability is not likely to attract voluntarily men of substance into the movement.

**Co-operative Legislation.**—I may not wander over the 340 recommendations of the Vijiaraghavachari Committee in this speech. I shall just touch one point more. The present co-operative legislation in India stands condemned. It is legislation to collect loans. The Registrar and his subordinates are loan-gatherers with all the powers of rigour vested in them. It is no good therefore complaining against this Registrar or that. When the 1932 Act of Madras was in a Bill

form the preamble has but the following words expressive of the objective: "Whereas it is expedient further to facilitate the formation and working of co-operative societies for the promotion of thrift and self-help among agriculturists, artisans and persons of limited means." To bring it to the present form in which the words "for the promotion of thrift, self-help and mutual aid among agriculturists and other persons with common economic needs so as to bring about better living, better business and better methods of production" occur, was itself a great task. The change in the preamble, however, did not mean a corresponding change in the provisions of the Act. You may examine the Act as much as you like. You will not find provisions that cover the extended objects. In fact as Mr. Ramadas has rightly pointed out somewhere co-operative acts all over India are the same.

The Registrar stands as the central figure in the Act and his powers are the innumerable radii that hold the villager in the circumference in check. The Vijayaraghavachari Committee has appended a draft Bill to their Report. They have tried to tinker with the present Act. Their Bill has equally the same perspective but in a different direction. The Registrar is still the centre. Certain radii of his powers are attempted to be wiped out. On others some control is attempted to be taken by making provision for appeals and the like. This will never do. The whole legislation must be undertaken afresh. The villager and his society must occupy the centre and the radii should be his several needs. Through the advice and guidance of the Registrar and his official and non-official co-workers they should fulfil themselves in the glorious run of the entire circle of the villager's life.

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## EXTRACTS

### PROBLEMS OF AGRICULTURAL CO-OPERATION IN MADRAS

#### The Report of the Madras Committee on Co-operation.

The Presidency of Madras, with an area of over 142,000 square miles and a population of more than 48 millions, is the largest one of the most populous Provinces of British India. Its economic life is based on agriculture and small-scale handicrafts and cottage industries, connected with or dependent upon agriculture, and more than 85 per cent of the population live in villages. In recent years a number of factories—mostly textile but including some sugar, match, soap and cement factories—have been established. The development of large scale industry, however, has not made much progress, and the total number of factory workers throughout the province has not yet reached 2,00,000, representing less than  $\frac{1}{2}$  per cent of the population; on the other hand, small-scale rural industries, the most important of which is handloom weaving, have had to contend with many difficulties in the last years which severely reduced their activity. This decay of the cottage industries has increased the heavy burden which a long economic depression has imposed upon agriculture since the beginning of the last decade, as it has deprived the farmers and peasants of a great part of their supplementary income outside the seasonal periods of their agricultural work. The economic depression has resulted in an alarming increase of rural indebtedness, one of the most difficult economic problems of the Province, and in a further reduction of the low standard of living of the rural population.

The Co-operative Movement, like the economic structure of the country, is mainly agricultural, though it can claim the largest and most successful Consumers' Society in India—the Triplicane Urban Co-operative Stores, with over 6,000 members, 29 branches and an annual turnover of about Rs. 1 million—as well as a young and active Wholesale Society of Store Societies in Madura. The majority of the co-operative societies are agricultural credit societies—10,784 out of a total of 13,759 in 1938-1939; they, too, have naturally been very much affected by the economic depression and most of them have incurred heavy debts and worked with a loss for a considerable number of years.

The Government of Madras could not remain indifferent to such a development, and as it always relied upon the rural conditions, it appointed a Committee on Co-operation in 1939—under the Chairmanship of Sir T. Vijayaraghavachariar and including many representative co-operators of the Province—to examine the various problems of Agricultural Co-operation and suggest methods and principles for a rehabilitation and re-organisation of the Agricultural Co-operative Movement and a general improvement of the conditions of rural life in the Province. In 1927, a committee was appointed, the Townsend Committee, to examine the progress made by the Movement in the preceding years and suggest measures for effecting necessary improvements. Before these measures could bear fruit, the economic depression affected the co-operative situation so adversely, that new and wider measures had to be contemplated.

Other problems also arose in connection with the passing of the Madras Agriculturists' Relief Act in 1938, which made a consolidation and reorganisation of the

co-operative finance system necessary, so that co-operative banks and societies could play a greater part in the rehabilitation of agriculture. In addition, the Agricultural Credit Department of the Reserve Bank of India, and others, had made various proposals advocating a radical change in the structure of Agricultural Co-operation. All these developments called for a thorough re-examination of the position.

The recently published report of the Vijayaraghavachariar Committee contains a very comprehensive survey of the problems of the different branches of rural co-operation and co-operative credit in general in Madras, and the conclusions and recommendations of the Committee are arrived at after a close study of the replies to a detailed questionnaire, which was sent by the Government in 1938 to all important co-operative institutions and heads of relevant Departments, as well as to some private individuals interested in the movement.

It is impossible in the context of this article to deal with all the problems examined, as they embrace practically all aspects of rural life in Madras Province. Since rural indebtedness is the most serious problem of the rural community, the Committee devoted most of its attention to questions of agricultural credit and finance, examining closely the working of the credit societies and especially the principles on which the agricultural credit movement in Madras, and in India generally, is based.

The first part of the report is devoted to an historical retrospect and general survey of co-operation in Madras. It was in 1904 that the first village co-operative credit society was established; development of the movement was slow until the end of the Great War, but during the next ten years it expanded more rapidly until the economic crisis, which not only prevented progress for a number of years but also endangered the financial position of a large section of the movement.

The following table indicates in broad outline the increase in the numerical strength of the Madras Movement:—

Year.	Societies.	Members.	Paid-up Share Capital.	Reserve Funds	Total Working Capital.
			Rs.	Rs.	Rs.
1905-06	27	2,733	31,000	600	107,000
1910-11	596	44,102	485,000	185,000	4,915,000
1920-21	3,239	398,062	6,487,000	2,077,000	49,035,000
1930-31	15,042	981,100	24,315,000	11,258,000	180,052,000
1938-39	13,759	1,041,355	24,684,000	17,807,000	227,091,000

It is estimated that about 8.54 per cent of the population of the Province was associated with the Co-operative Movement in 1939, a comparatively high percentage for India, and exceeded by only two other Provinces—Punjab with 16.33 per cent, Bombay with 14.82 per cent.

Of the total co-operative membership in Madras Province, the agricultural credit societies accounted for 567,279 members in 1939, while 1,131 non-agricultural credit societies comprised 292,844 members. In addition, there were a number of

producers' societies for the processing and marketing of agricultural and artisans' products and the purchase of requirements, 126 building societies, 85 consumers' societies, and 94 school (stationery) stores; these however, have not yet attained a great importance in the economic life of the Province, and some of them—building societies and co-operative stores—were not included in the Committee's investigation.

The primary agricultural credit societies in India are organised on the basis of Raiffeisen idea of the "neighbourhood community" (Nachbarschaftsverband), which is reflected in a number of principles referring to their constitutional structure and working. Raiffeisen envisaged the co-operative society as the centre of the economic life of the village community, a personal bond uniting all the members, collaborating with full responsibility in the common task. The main principles of this collaboration are: unlimited liability; one village—society; voluntary service; wide range of functions. These principles have so far been the basis of agricultural co-operation in India, although the societies' activity has generally been confined to the credit side.

The Madras Committee closely studied the problem whether these principles can be generally accepted in the re-organisation of agricultural co-operation, and has come to the conclusion, though not unanimously, that modifications in their application are necessary for the rehabilitation of the movement.

The inefficiency and the financial difficulties of many agricultural credit societies in Madras are partly the direct result of the smallness of the societies which so far have strictly adhered to the principle of one village—one society. The Committee felt that on this basis a strengthening and consolidation of the individual societies would be impossible as the village is, as a rule, too small, and the membership and capital locally available, therefore, not sufficient to guarantee the society's successful functioning. Apart from this the smallness of societies hampers the progress of the movement as a whole, as the great majority of the villages which are not able to form societies of their own, would remain outside the sphere of co-operative activity. The Committee, therefore, recommends the broadening of the basis of co-operative credit societies to several neighbouring villages in an area within a radius of three to five miles, assuming that this would result in an extensive and intensive development of rural co-operative credit. It also emphasises the need for a comprehensive programme of co-operative expansion and reorganisation, so as to bring every village within the area of operation of a society. The magnitude of this programme, which should be based, it is suggested, on a five, seven, or ten year plan, can best be gauged from the fact that of almost 52,000 villages only about 10,500 are covered by co-operative credit societies, most of which are working with a loss.

There was, however, no complete unanimity in the Committee on the question of the widening of the basis of societies, and a minority adhered strictly to the Raiffeisen principle as a basis of close mutual collaboration and control. The majority of the Committee were of opinion that the widening of the basis of a co-operative society to several neighbouring villages with common economic interests and often united by social bonds, too, would not be contrary to the principle of proximity and corporate life. At the same time, the advantages of a broader membership basis would expand the business and strengthen the finances of the societies, so that they would be able to employ the paid staff necessary for an efficient business management, and to build up resources.

The employment of paid officials, also, is a modification of the original Raiffeisen principles, but it seems an inescapable consequence of the suggested establishment of larger units on a sound business basis, especially as the Committee recommends, not only a widening of the area of operations, but also of the functional basis of the societies. Hitherto, the primary agricultural credit societies have limited their activities to credit business, and only in rare cases have they fulfilled other functions, such as the purchasing of agricultural and domestic requirements and the sale of agricultural produce. The Committee suggests an expansion of the activities of the enlarged credit societies, making them real multi-purpose societies. Not only are the purchase of agricultural and domestic requirements and the sale of produce recommended, but also the supply of electrical and other mechanical power, farming on a co-operative basis, and the promotion of new methods of agriculture. The Committee considers that "village societies should be utilised, to a greater extent in the organisation and promotion, under proper directions and suitable safeguard, of subsidiary or cottage industries such as bee-keeping, dairying, poultry-keeping, fruit-growing etc." Only where these functions "require special technique, finance, or marketing arrangements" is the organisation of separate societies recommended.

The most far-reaching of the Committee's recommendations is in regard to liability. Limited liability, it is suggested, should in future be the normal rule in rural credit societies, and only if—in the view of the Registrar—local opinion, or other circumstances, favour unlimited liability, should there be a deviation from that rule. The main reasons which led the majority of the Committee to abandon one of the most important Raiffeisen principles were that unlimited liability keeps away the better situated and more solvent class of agriculturists—thereby weakening the potential financial strength of the society and depriving it of a source of efficient leadership; and that, in the case of liquidation, which is rather frequent, its enforcement causes great hardship to the members. It was further suggested that mutual knowledge of each other's affairs—the basic assumption of unlimited liability—is practically non-existent in present-day village life, and that the possibility of members evading their liability by alienation of property has reduced the value of the unlimited liability considerably. The minority of the Committee strongly opposed this view, stressing the value of the principle of unlimited liability as a factor for strengthening the collective spirit of responsibility, the social basis of true co-operation, and the great danger that small tenant farmers and agricultural labourers, who cannot offer material security for credits, may not be able to obtain credits at all under a system of limited liability.

Many detailed recommendations are also made regarding the central banks of the Province, the regional organisations, which play an important part as financing institutions of the primary societies and form the intermediate link between the Madras Provincial Co-operative Bank and the credit societies, land mortgage banks, co-operative marketing societies, &c. As to the central banks, of which there were 30 operating in 1939 with a total working capital of Rs. 56.62 million, it is recommended that they become pure—type Banking Unions composed of affiliated societies only, which would mean the elimination of individual shareholders. This recommendation also was arrived at by a majority decision, the minority holding the view that the movement can ill-afford to lose the support and experience of individuals who have given practical proof of their interest in co-operation, and who fulfil a very useful purpose in representing the views of the depositors in the central banks, while the representatives of the societies

are naturally more inclined to the views of the borrower. The majority, however, maintained that, though individual shareholders fulfilled a useful function in the early stages of the development of the central banks, the time has come to give these banks a clear co-operative constitution as Banking Unions. But, in order to give "public-spirited individuals who possess expert knowledge in co-operative banking or co-operation" an opportunity to serve the central banks, the Committee recommends that central banks should co-opt three individuals to their Boards of Managements, and that this be provided for in their rules.

The extensive programme of re-organisation and re-orientation envisaged by the Committee will depend for its realisation, among other things, upon the ability and co-operative conviction of co-operators in responsible positions, and on the response of the members of societies to the co-operative appeal. The Committee, therefore, stresses the necessity of an intensification and better co-ordination of educational work of the movement and the creation of better facilities for co-operative education. It recommends the establishment of a Government Co-operative College for aspirants for employment in the Co-operative Department of the Government and for higher posts in large urban and central banks, &c., and of two Co-operative Institutes for the technical training of "professional co-operators."

A suggestion was made by two members of the Committee that the voluntary basis of the rural credit organisation should be altered and that statutory compulsion should be applied to make all eligible villagers members of the credit society, as propaganda and education would be too slow a process to accelerate the pace of co-operative progress. The Committee, however, rejected the proposal and affirmed their faith in voluntary co-operation: "Co-operation is a voluntary effort: it would grow from among the people out of their own free-will: it is not, and cannot be, the result of state compulsion or regimentation."

—*Review of International Co-operation*, April, 1941.

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### FUTURE OF CO-OPERATIVE MOVEMENT.

In his address to the Joint Session of the Standing Committees of the Indian Provincial Co-operative Banks' and Institutes' Associations held in Bombay in the middle of January, the Hon'ble Mr. V. Ramadas Pantulu surveyed briefly the economic development that has taken place since the Association met last in October 1939. Some of the suggestions made by him such as those pertaining to agricultural prices and relations with the Reserve Bank of India formed the basis of resolutions adopted at the meeting. There are, however, two portions of the address which call for particular notice. The first deals with the problems of agricultural indebtedness and the provincial legislation enacted to meet it. While welcoming the legislative activity that was embarked upon by responsible popular ministers in various provinces, Mr. Ramadas Pantulu referred to the apprehension entertained in some quarters that those would result in curtailment or shrinkage of credit to agriculturists. That apprehension would, in his opinion, prove to be ill-founded if vigorous steps were taken anywhere to organize co-operative credit societies on proper lines to supply the short term credit needs of the agriculturists. Along with such organization Mr. Ramadas Pantulu envisaged the provision of long term credit for the discharge of prior debts and the reclamation or improvement of lands and the linking up of short term credit with a well-devised machinery for the marketing of agricultural produce. Such a properly co-ordinated system of co-operative credit would, Mr. Ramadas



Pantulu urged, enable the agricultural community to do without the services of the money unit in the rural economic structure. That end, however, will become feasible only when rural economic life as a whole is organized on a co-operative basis, which ideal Mr. Ramdas Pantulu put forward before co-operators in the latter part of his address dealing with the future of the movement. The new economic order which we wish to see established in India should be based on the equitable distribution of wealth and provision of equal opportunities in life for all sections of society.

For the ensuring of these aims in rural life no movement, as Mr. Ramadas Pantulu emphasised, is so well suited as that of co-operation. That was the declared view also of the responsible Ministry in the Province of Bombay as is clear from the rural development plan adopted by it. Unfortunately, the plan could not be carried out before the Ministry resigned. The Province has now reverted to a system of administration where the pivot is the District Revenue Officer. The defects in the co-operative movement cannot be rectified, as Mr. Ramadas Pantulu pertinently remarked, by strengthening the official control and direction but by altering the basis of the structure and making it dependent increasingly on popular support and enthusiasm. Unless, however, those who are responsible for the administration see the problem in the perspective in which Mr. Ramadas Pantulu places it, the future before it, as he visualises it, is indeed gloomy.—*The Bombay Co-operative Quarterly*, March 1941.

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#### RURAL DEVELOPMENT DEPARTMENT IN BOMBAY.

There has been published the first annual report of the Rural Development Department newly created by the then Ministry in April, 1939. The Department has had a very short-lived career, as the admirable conception of Mr. A. B. Latthe, the then Minister of Rural Department, is not proposed to be carried out by the present Government of Bombay. The Government of Bombay, when placing various activities dealing with the economic conditions of agriculturists under one Department, explained what advantages they hoped to secure from the form of co-ordinated working they adopted. The present Government, apparently showing no concern for public opinion, upset a very important part of the programme of a responsible Government without even a word of explanation to the public. To them, presumably, these are administrative arrangements which it is not the concern of the public to know; they do not conceive of them as broad questions of economic policy affecting the welfare of the agriculturists. Another change has been effected in the programme adumbrated by Mr. Latthe and his colleagues and that is in respect of the scheme of providing villages with rural welfare workers, whose services would be available for the management of village panchayats, the conduct of the affairs of co-operative societies, the popularisation of approved methods of agricultural improvement and the promotion of suitable cottage industrial enterprises. The programme contemplated the appointment of a thousand rural workers to be trained in a period of 5 years. Only one centre for training was started before the Ministry went out of Office, namely, at Sabarmati, and according to the information contained in the annual report, no other centre was started till 31st March 1940. The report makes mention of the fact that it is proposed to provide arrangements for training at 5 centres in different parts of the province. Training is to be imparted to batches of 35 students for a period of 9 months to be followed by specialised training at Poona for a term of

three months. So far as the public are aware no start has been made with any of these training centres. Nor are they aware of the manner in which the services of the first batch of 50 students have been utilized. This part of the programme of rural development seems to have been overlooked and hence one does not know what remains of the rural development plans which were so prominent a feature of the scheme of rehabilitation adopted by the Ministry in its last year of office.

—*The Bombay Co-operative Quarterly*, March, 1941.

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#### LIMITS OF OFFICIAL CONTROL IN CO-OPERATIVE ORGANIZATIONS.

Bewailing the lack of internal control in a majority of co-operative organisations, especially those in the primary stage, because of want of education and the absence of a live public opinion, Mr. T. A. Ramalingam Chettiar urges in his Presidential Address at the United Provinces Co-operative conference held at Gorakhpur at the end of April, that the place of such control has necessarily to be taken if the management is to be a healthy one by some form of external supervision. The power of rectification, Mr. Chettiar emphasises, "should be vested in some authority to deal with cases there and then." One may agree with Mr. Chettiar's view that the theory of (*Laissez faire*) has no place in the organization and working of co-operative societies in this country. But one cannot subscribe to his conclusion that the power of correction, setting right things and in extreme cases of liquidation of societies and rendering even justice to all has to be vested in an authority which, in the existing state of things, can only be part of the official machinery of the Co-operative Department. The movement in India is no longer in its infant stages. There has been progress in education in rural areas during the last four decades and public opinion too is much more alert than it was thirty years ago. Whatever, therefore, may have been the case for official supervision and control in the early stages of the movement, it does not hold good to-day in most provinces of India. Co-operative societies can well be trusted to form their own organisations for supervision, audit and general control and these should be manned and run in the same way as in other countries. Control by the Co-operative Department, one need hardly point out, is irresponsible in a twofold sense. The officers of the Department are in no degree responsible for their acts to co-operative institutions, whereas the employees of a federal controlling agency have to hold themselves responsible to it. Moreover, with the system of administration that obtains in India, the Co-operative Department itself is part of an irresponsible and irremovable bureaucracy. It may be that the non-official workers in the movement are not without blemish everywhere, but then the fault lies with the representatives of co-operative organisations that put them in positions of responsibility. They can remedy their errors by removing the undesirables. The suggestion is made by Mr. Chettiar that non-officials should be associated with officials in all important matters. Such association in an advisory or consultative capacity is scarcely helpful in building up a sense of responsibility among the non-official workers. Besides, it is not certain whether the association will be of representative co-operators as distinguished from selected co-operators. For all these reasons, Mr. Chettiar's views on this subject fail, unfortunately, to carry conviction.

—*The Bombay Co-operative Quarterly*, June, 1941.

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## THE FATE OF THE GERMAN CONSUMERS' SOCIETIES.

Those who had hoped that the German Consumers' Movement, after its subordination to Nazi economic aims (*Gleichschaltung*) and the liquidation of most of the big societies in the large industrial centres, would be allowed at least a certain external appearance of a limited independence must have been finally disillusioned by the latest German Decree, concerning the consumers' societies, of 28th February, 1941. This decree is a death blow to what remnant of life still remained in the German Consumers' Movement—once the stronghold of German economic democracy. The effects of the decree, according to an official German version are:—

The property of the consumers' co-operative societies has been transferred to the German "Labour Front."

Co-operative shops are to be converted into ordinary retail shops and given over to private ownership, but as they are mainly to be given to men who fought at the front the change will take place, on the whole, only after the war.

Dr. Ley, the leader of the "Labour Front", commenting on the new development in the co-operative field in *angriff* of 1st March, makes some very illuminating statements on the attitude of National Socialism towards consumers' co-operation, while his remarks on the contemplated changes themselves are rather vague or even contradictory. The fundamental rejection of the co-operative idea, as embodied in consumers' co-operation, is expressed in the following terms: "The consumers' co-operative societies represented a collectivist form of economy of which we, as National Socialists, do not approve; by virtue of their political power they were able to compete unfairly with the small artisan and trader who were therefore, their sworn enemy..... The collectivist idea.....runs counter to our programme, which seeks to further individual values and personal initiative."

Dr. Ley then states that at the Fuhrer's request he had proceeded slowly and carefully to liquidate the societies, but he has to admit the great achievements of the consumers' movement and goes so far as to stress the growing dependence of the country on the productive units and the distributive facilities of the movement during the war. "All objections had to give way in the face of this discovery. The liquidation had, in fact, to be stopped since the consumers' societies had proved their value." After this admission of co-operative efficiency by a proved enemy of consumers' co-operation the article continues: "What proves itself in war has also its justification in peace time. Hence the Fuhrer decided that the useful institutions in the co-operative machinery shall be preserved and become part of the National Socialist economy." How this "preservation" of the useful co-operative institutions is to be reconciled with the handing over of these institutions to soldiers after the war—who, financed by the Bank of the German Labour Front, will be given a "chance eventually to become independent business men"—remains the secret of Dr. Ley.

The immediate change, which is taking place is the complete integration of the consumers' movement, with all its capital and productive units, in the German Labour Front, to which it had been affiliated since 1933. "The share of the members are transferred to the Labour Front" and the members are promised that they will "suffer no loss by this transaction". This means the complete abolition of co-operative democracy as the member, having no longer any share in the society which he helped to build up, therefore, cannot claim a voice in its affairs. The article in *Angriff* is, therefore, quite correct in stating bluntly: "The Movement thereby loses its co-operative character and its shops are open to everybody". The complete per-

version of the purpose of the consumers' societies is revealed in the statement that the stores and factories, which are to become "model" shops and workshops, will be "a means of serving the trader and artisan."

—*Review of International Co-operation, April, 1941.*

## EUROPE'S TRADE

### A Study of the Trade of European Countries with Each Other and with the Rest of the World

This volume, prepared by the League of Nations Economic Intelligence Service, is devoted to an examination of the part played by Europe before the war in the trade of the World.

Though Europe represents only 4 per cent of the World's area and 19 per cent of its population, her trade was greater than that of all the other continents together.

Over half of Europe's trade consisted of goods exchanged between European countries. But a large part of the foodstuffs and raw materials essential for her industrial countries was obtained from overseas. In 1935, a fairly representative year in a period of transition, the value of the imports of raw materials and foodstuffs into Continental Europe exceeded 2¼ billion dollars. The United Kingdom's net imports of these products were somewhat greater—2½ billion dollars. On balance, Continental Europe bought cereals to the value of over half a billion dollars and sold animal foodstuffs to the value of under a quarter billion dollars. The aggregates of her trade in this year were:—

	\$
Export surplus of 6 important animal foodstuffs	.. 226,000,000
Import surplus of vegetable foodstuffs	.. 545,000,000
Surplus of all other foodstuffs	.. 3,000,000
<b>Total</b>	<b>.. 322,000,000</b>

But the export surplus of animal foodstuffs was largely dependent on the import of fats and fertilisers; Europe's net imports of oil seed and cake alone cost about \$274,000,000.

Her net imports of raw materials were much greater than her net imports of foodstuffs, amounting to 1,935 million dollars. Raw textiles, oilseeds and mineral oils were the chief items, and accounted together for about three-fifths of Continental Europe's net imports of raw materials. The United Kingdom's net imports of foodstuffs amounted to 1,398 million dollars, and of raw materials to 935 million dollars.

The volume brings out in a very striking manner the extent to which industry breeds trade, and the industries of different countries in Europe were complementary to each other. The ten most important industrial countries of Europe accounted for four-fifths of Europe's total trade; they consigned to each other 40 per cent of their exports and only 16 per cent to the whole of the rest of the continent. This large intra-trade was mainly in manufactured goods.

These same ten countries accounted for over nine-tenths of Europe's large import surplus, which was financed on the income drawn from other continents, on account of interest, dividends and services performed. A considerable proportion of Europe's net imports were derived from the United States, in spite of this country's creditor position. The explanation of this paradox, as is shown in some length in the volume, is to be found in the rather complicated network of trade balance between the various European countries. It was the triangular and multi-lateral nature of Europe's trade that enabled many European countries with no or small foreign assets to acquire industrial raw materials from other continents; and the United States' surplus of exports to Europe helped to finance her purchases of raw materials elsewhere. A heavy reduction in triangular trading operations in Europe occurred during the thirties with the growth of economic nationalism.

Owing in part to this tendency towards self-sufficiency in certain countries on the continent of Europe, and in part to the rapid recovery the United Kingdom achieved after 1932, the share of British imports in the total of Europe's imports of a number of raw materials, such as cotton, wool, tobacco, increased notably during the last decade.

At the same time, a considerable industrial development took place in the agricultural countries of Eastern and South-Eastern Europe, with the effect that they tended to shift from the purchase of European manufactured goods to industrial raw materials drawn from overseas. This development was checked, however, by the tendency towards bilateralism in trade and the opposition encountered by Germany, who pulled these countries into the orbit of her trading system and compelled them to import manufactured goods in exchange for their products.

—*League of Nations Economic Intelligence Service.*

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## CO-OPERATIVE NEWS AND NOTES

The working of the Madras Agriculturists' Debt Relief Act shows that good progress has been made since its enactment in 1938. During the thirty seven months ending with March 1941, over 1,59,000 cases under this Act have been disposed off involving over Rs. 6,07,79,000. The actual relief afforded to the agriculturists by way of scaling down debts in the above cases amounted to over Rs. 2,86,65,000 which represent 47.2 per cent of the amount originally due.

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The working of the Cochin Agriculturists' Relief Act during the year reveals encouraging results providing considerable help to the debt-ridden agricultural classes. Through the civil courts the question of scaling down of debts was urged in 9,271 cases involving an aggregate debt amount of Rs. 28.64 lakhs. The total amount scaled down during the year was Rs. 22,77,386 and the amount reduced by scaling down was Rs. 5,86,217. There were 3,324 applications under Section 28 of the Agriculturists' Relief Act to set aside court sales, out of which 234 cases were set aside. In 754 cases, it is reported, the decree debts, as scaled down, were discharged by payment or satisfaction of the amount as scaled down.

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In Bihar it is learnt that a sum of Rs. 20 lakhs out of 49 lakhs sanctioned by the Provincial Government for a five year expenditure on the rehabilitation of the Co-operative Movement is to be spent on the rehabilitation of thirty-nine co-operative banks.

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The Agricultural Marketing Adviser to the Government of India in his Annual Report for 1940, states that the quantity of "Agmark" produce marked in 1940 exceeded by two-thirds the quantity in the previous year. The totals were Rs. 61 lakhs in 1939 and Rs. 102¼ lakhs in 1940. By the end of 1940, there were 363 authorised packers and the standardised grading and marking of agricultural produce was being carried out commercially at more than 400 centres. The number of grading stations at work at the end of the previous year was 150. The central and local marketing staffs, in conjunction with the All India Radio, developed market news services for rural listeners, and regular bulletins are now issued from several stations. The Central Marketing Staff held trade conferences for consultations in regard to practical proposals for improved marketing.

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*Agricultural Credit Department, Reserve Bank of India.*—In the last report mention was made of the training of officers of Co-operative Departments deputed by certain provinces in the Agricultural Credit Department. During the year a further batch of officers were deputed for training in the Department. The Department continued to examine problems of agricultural credit including the co-operative movement, debt legislation, schemes of rural reconstruction, land mortgage banking, etc., and to maintain personal contacts with the officials connected with the co-operative movement. During the year a number of problems

relating to debt legislation, regulation of moneylending, rehabilitation of the co-operative movement, establishment and financing of land mortgage banks, establishment of licensed warehouses, investment of surplus funds of co-operative banks, organisation of multi-purpose societies, etc., were referred to it by the various Provincial Governments for opinion and advice. All these problems were examined by the Department and detailed suggestions were made. In view of the increase in the research work of the Department, a new post of Director of Research was created during the period.

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*Soya Bean Production.*—The production of soya beans has been steadily expanded during the recent years, and the soya bean is today used in many industrial processes not only for the production of food and fodder, but also for the manufacture of soap, paints, linoleum, synthetic rubber and other commodities. Soya bean flour, suitably processed, has been developed into a staple diet of the German army, and is even used in cakes and pastries. China and Manchukuo are the chief producers and Manchukuo is the chief exporter of soya beans, supplying mainly Germany and Japan. In recent years the cultivation of soya beans has been developed in South-Eastern Europe, particularly Roumania and Bulgaria, and has been greatly extended in the United States. Total world production is estimated at 483·5 million bushels (1 bushel=17·2 kg.) for 1940.

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*The Volume of Food Sales in Great Britain.*—Since the outbreak of the war, the value of food sales in Great Britain has steadily increased, and is shown in the retail sale reports issued by the Bank of England, which are based on a representative sample of shops. But as prices have also risen, the increase in value does not reveal the changes in the volume of turnover. In order to show the trend in the development of the volume of food sales, the Bank of England's value figures have been adjusted in accordance with the changes in food component of the Ministry of Labour's index of the cost of living. The resulting indices show that the upward trend in the volume of food sales noticeable in the last pre-war years was arrested soon after the outbreak of the war, and since then it has shown a strong tendency to decline. For 1939 the index of food sales was 111½ (basis: 1935=100) against 108½ in 1938, but in 1940 it had fallen to 99 per cent and in January and February, 1941, to 94 and 96 per cent of the 1935 level. In spite of the decrease, the index of food sales in 1940 was still ½ per cent above the level of the depression year 1932, when it averaged 92 for the whole year.

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*Courses at the Co-operative College, Manchester.*—The experiment of special short-term courses at the Co-operative College for the employees and members of the Co-operative Movement (which was interrupted when Holyoake House, the headquarters of the Co-operative Union, was damaged in the raids on Manchester) is now to be resumed on a more extensive scale. The new courses will be for periods of one, two or three weeks, and will comprise residence and tuition at the College. They are specially designed to deal with the difficult problems of training employees, engaged to replace those called up for military service, and are also open to members of Committees, auxiliary officials and members. Ten-week scholarships, tenable at the College, are open to candidates nominated by societies and to individual students.

# THE INDIAN CO-OPERATIVE REVIEW

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## EDITORIAL NOTES

### HANDLOOM WEAVERS' CO-OPERATIVES

Pandit Madan Mohan Malaviya's dissenting minute appended to the Report of the Indian Industrial Commission (1916-18) still holds the field as a classic on the subject of disabilities of handloom weavers in India and the unfair treatment to which they have been subjected. Since the publication of that report Indian public opinion has been persistent in pressing on the Government the necessity of preserving this ancient industry of India from extinction in the process of unfair competition with textile mill industry. Handloom weaving is still the main subsidiary occupation of millions of rural population and has demonstrated that it has sufficient vitality to withstand the competition of the mills, provided suitable protection is afforded to it. The action taken by the Government of India in recent years by granting a subsidy to the industry, through the Provincial Governments, is a step in the right direction. But a subsidy of Rs. 5 lakhs for a province, the utilisation of which is spread over five years hardly meets the requirements of the situation. Therefore the question of taking further steps to preserve and expand the handloom industry and to improve the economic condition of the handloom weaver has continued to engage the attention of the public as well as of the Government.

As a result of the deliberations of the Industrial Conference convened by the Government of India in December last, a Committee called the 'Fact Finding Committee,' with Prof. P. J. Thomas of the Madras University as Chairman, was appointed to survey the present position of the handloom industry in India. We publish elsewhere in this issue the questionnaire issued by the Committee. The terms of reference are comprehensive. The main function of the Committee appears *inter alia* to be to ascertain in each of the areas surveyed the number of persons engaged in the industry, the nature of handloom products and



the extent and character of the competition between the handloom and mill products. The Committee is also expected to report on the existing organisation for marketing of handloom products. We are glad to know that this 'Fact Finding Committee' has put itself in touch with the Co-operative organisations interested in the problem of manufacture and distribution of handloom products in some of the Provinces and States. Reports from such organisations on the results of experience gained by them in the last two or three decades and constructive suggestions for utilising the co-operative movement for the purposes of manufacture and sale of handloom cloth should prove valuable. In view of the fact that information is being prepared for the use of the 'Fact Finding Committee' we expected that we would have no difficulty in receiving contributions on the subject readily from several Provinces and States. We must, however, say that our invitation for contributions on the subject has not met with adequate response.\* But from the few brief articles on handloom weaving industry received by us and published in this issue, it will be seen that the main requirements of the industry are the supply of capital and raw-material, particularly yarn, and organisation of production and marketing of goods by co-operative societies. There is little or no information on questions like the cost of production of the different varieties of handloom cloth, the extent of internal and external markets for such products and the wage level of weavers engaged in the industry.

It is a well known fact that due to the protection afforded to cotton textile mills in this country and other causes, the competition between the products of the powerloom and handloom has become intensified, that the mills now manufacture several varieties of goods which were hitherto considered to be the sphere of handloom weaving and that the price of yarn supplied to handloom weavers has been enormously increased. Various suggestions have been put forward to minimise the disastrous effects of this unequal competition and to give reasonable protection to the handloom industry. The Madras Committee on Co-operation which devoted a whole chapter to this subject made the following suggestions:

1. Adjustment of the spheres of production of the powerloom and the handloom by reservation of certain classes of fabrics and of certain counts of yarn to the handloom pro-

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\* Since sending the Editorial Notes to our printers we have received an article on Weavers' Societies in Madras by Mr. K. C. Ramakrishnan of the Madras University, which deals exhaustively with the progress that the societies have made from 1905 to 1941, and the activities of the Madras Handloom Weavers' Provincial Co-operative Society. We are glad to publish the same.

ducers or by fixing quota restricting the quantity of production by powerlooms,

2. Levy of a cess on the sale of mill cloth, Indian and foreign, at a rate sufficient to counteract the effect of competition, with due regard to the parity of prices of handloom and mill cloth,
3. Increase of the licence fee imposed by the Madras Government in 1937 on dealers of mill cloth to an extent which will in itself be sufficient to offset the higher cost of handloom cloth in relation to mill cloth and to render it unremunerative for dealers in mill cloth to ply their trade in rural areas and
4. Levy of differential freight rates for transport by railway of mill and handloom products.

At the sittings of the 'Fact Finding Committee' in Madras some of the witnesses examined urged that mills should be prohibited from weaving below at least 20 counts and that mills should more largely confine themselves to spinning and weaving higher counts. The Registrar of Co-operative Societies, Madras seems to have suggested the desirability of imposing an excise duty on goods produced on powerlooms as a measure of state-aid, having regard to the national importance of the handloom industry. The Director of Industries, however, does not appear to have endorsed this view and he is reported to have said that excise duty might be imposed if it is considered desirable but as to whether it is desirable or not it was difficult to say. It has also been suggested that if profiteering middlemen who thrive on speculation are eliminated from the business, the price of yarn to the handloom weavers could be brought down and that mills might open depots for sale of yarn directly to the weavers. The representatives of Messrs. Binny & Co., seem to have stated that there was scope for co-operation between the handloom industry and the mill industry and if such co-operation was forthcoming, the Government should so shape their policy as to ensure enough work for the handlooms and the mills. But no definite indication seems to have been given as to the nature and scope of such co-operation. It was further suggested that action on the part of Government was also necessary for securing yarn at reasonable prices, such as stopping export of surplus yarn except to the extent necessary for war production.

The Bombay Mill Owners' Association and the Southern India Chamber of Commerce estimate, in their memoranda to the 'Fact Finding Committee' that the consumption of yarn by handlooms in India had

risen from lbs. 227 millions in 1910-11 to lbs. 449 millions in 1939-40. This increase in the output of handloom cloth does not, however, indicate any improvement in the economic condition of the handloom weaver. In fact it has deteriorated; the scale of average earning has decreased and the conditions of his labour are akin to those of sweating.

The survival of the handloom industry in spite of the growing competition by the mills is attributed by some to the belief that handloom products are more durable than mill made clothes. There may be some truth in this belief. But it is also to be remembered that special qualities and patterns of cloth which can still be made better on handlooms command a good market in India and outside wherever there is an Indian section of the population. The Southern India Chamber of Commerce mentions the following among such fabrics: "solid bordered sarees, fabrics where silver or gold, or other metallic effects are introduced, elaborately checked goods, cloth where single pick effects are important, a wide range of coloured cloth, tapestry cloth, and certain other types of brocades used for curtains, upholstery, ladies' dress etc." Madras enjoys the pride of place among the provinces and a third of the total number of looms in Madras are employed in catering to overseas markets and thereby getting the resultant buying power from those countries. These products are exported to Burma, Ceylon, Malaya and Dutch East Indies which largely consume lungies and sarongs and to British West African countries which take almost all the Madras handkerchiefs. These overseas markets are responsible for about one third of the handloom products turned out, and trade with them alone averages about three crores of rupees a year.

The adoption of remedial measures like those suggested above especially the demarcation of the varieties of cloth to be manufactured by the powerlooms and handlooms, is however one which may give rise to many difficulties in practice. The Bombay Mill-owners' Association and the Southern India Chamber of Commerce, in the memoranda submitted by them to the 'Fact Finding Committee' drew attention to the fact that prohibiting powerlooms from using low count yarns, will not only make yarn more costly to the handloom weavers but also hit the agriculturists who mainly raise short staple varieties, when the consumption of such varieties by the mills is prohibited without any certainty that there will be compensating demand for this cotton on account of handloom industry. In several areas where short staple cotton is raised there may be no scope for raising other cash crops in lieu of short staple cotton. The freezing of Japanese assets has already hit the growers of short staple cotton in India. The problem is thus one

of some complexity. A satisfactory solution cannot be arrived at without a proper understanding not only between the Government of India, the Provincial and State Governments and the representatives of mill and handloom industries, but also with the agricultural interests, that is to say of the growers of cotton. With regard to the suggestion that middlemen should be eliminated and that the mills should open depots for direct sale of yarn to the weavers, some Chambers of Commerce have pointed out that wholesale yarn dealers serve a useful purpose and are not an evil. With regard to approved dealers and commission agents one of the chambers of commerce points out that only such dealers and commission agents have personal contact with the weavers and a knowledge of local condition and possess the necessary equipment and organisation for distributing goods on credit, watching production and collecting outstandings. It is only when this intermediate agency goes down to the link of small retailers or village sowcars that there may be scope for elimination. The question is one which requires careful examination. In any case we feel that co-operative societies may take over, in a larger measure than they now do the functions which are at present discharged by wholesale dealers in yarn, approved retail merchants and commission agents.

It seems to us that the main problem of co-operative weaving societies is one of reorganisation, improvement in the direction of purchasing raw materials and disposing of finished products on a co-operative basis. We hope that the co-operative organisations interested in the problem have placed their proposals with the necessary data before the 'Fact Finding Committee' and that the Committee will examine closely the benefits of adopting the co-operative method in the manufacture and distribution of handloom products. There seems to be a general consensus of opinion among the witnesses examined by the Committee at its Madras sitting that the co-operative organisation of the weavers for the purpose offers the most promising solution of the problems.

An example of how co-operative societies can be utilised for purposes of war production is to be found in the action of the Co-operative Department in the United Provinces to organise co-operative societies for the manufacture of blankets on the advice of the Industries Department, in three districts viz., Muzaffarnagar, Meerut, and Bijnor. It was decided that yarns should be supplied to these societies and arrangements made for marketing their products. It was also resolved that a Central Marketing Board which would deal directly with the Supply Department should also be established. We also publish in this

issue an extract which shows that a similar scheme is being successfully worked in seven districts of the Bombay Presidency.

None of the articles published by us deals with the question of the production of Khadi. Khadi can of course only be produced on hand-looms. The Khadi Movement has come to stay and is bound to make great progress in coming years under the inspiring direction of Mahatma Gandhi and Pandit Jawaharlal Nehru. With the increase of output of hand-spun yarn in the villages when villages take to it more largely, the employment of the requisite number of looms to convert that yarn into cloth, which is meant for use and not for sale at profit will necessarily follow. We hope that the 'Fact Finding Committee' will devote adequate attention to the problem of hand-spinning and hand-weaving and the employment it can give to the rural population.

The shortage of mill yarn for handlooms may prove a blessing in disguise to the Khadi movement. Sir Victor Sasoon, the well known cotton magnate, after surveying the position of the supply of yarn by mills says that the basic trouble is the stoppage of imports which has resulted in a definite shortage of yarn for handlooms and the fact that Government orders are for specifications which need more spindles per loom reduces the yarn surplus of mills and so accentuates this shortage. Sir Victor recalls how in one weaving centre he visited he found less than 1,000 at work, out of the 5 or 6 thousand workers, because they had no yarn and could not get any. Sir Victor concludes his survey with the welcome suggestion that *"attempts should be made to feed handlooms with hand-spun yarn."*

#### GRAFTING DEPOSITORS ON COMMITTEES OF FINANCING BANKS

We reproduce elsewhere the draft amendment to Rule XXVI securing representation of depositors on the board of management of central banks framed under the Madras Co-operative Societies Act, which is published by the Government of Madras to elicit public opinion thereon. We propose to examine the implications of the amendment in some detail having regard to its far reaching effects on the theory and practice of co-operation and in view of the matter being one of general, and not merely provincial, interest.

The existing position under Rule XXVI is this. An individual member will not be eligible for appointment as member of the committee of a financing bank unless he satisfies *one* of the following conditions: 1. he holds a prescribed number of shares in the bank; 2. he invests in fixed deposits a prescribed amount. Normally share holding in a co-operative bank is not resorted to as a source of investment of surplus

wealth for profit. Dividend is severely restricted by the rules and is contingent on the bank making sufficient profits to leave a surplus for distribution after allocating adequate portions of it to statutory, bad debt and other reserves. Moreover there is a limit in the bylaws of every financing bank to the amount of share capital that an individual member can hold, such as would not allow him to earn any substantial sum as dividend. For instance in the Madras Provincial Co-operative Bank no individual member can own more than one share of the value of Rs. 100 which yields Rs. 9 per annum. So there is no capitalistic taint about such share holding and in practice has not been found to militate against sound co-operative principles. Therefore the share holding qualification has not been considered to be objectionable. Indeed encouraging the individual members of the central banks to accumulate share capital by practice of thrift and saving habit is considered to be a sound co-operative practice.

But qualification based upon investing prescribed sums of money in fixed deposits stands on quite a different footing. Though individual members who do not invest a prescribed amount in such deposits may not now be eligible to membership of committees, yet there is nothing in the existing rule to compel financing banks to go in search of such investing members to draft them into the committees. The committees may be wholly composed of individual members who hold prescribed number of shares.

The proposed amendment to the rule makes a very wide and drastic departure from the existing practice. It empowers the Registrar to fix the proportion of individual members in such committees who shall hold fixed deposits of a prescribed amount and such proportion shall not be less than 25 per cent of the total individual members in the committee. It may be 50 per cent or 75 per cent at the Registrar's discretion. If the financing bank does not elect to the committee the required proportion of members holding such deposits, the Registrar is empowered to nominate the number required to make up the proportion. In other words it now compels the financing banks to take into their committees a certain number of members holding fixed deposits of the prescribed amount. The fluid character of this class of committee members is however realised, having regard to the proverbially fickle nature of the goddess of wealth, and clause 4 of the draft rule provides for lapses, interim or otherwise, from the standard of wealth prescribed. A committee member who withdraws a portion of his deposit or borrows against it so as to bring down its net value below the prescribed amount for a happy domestic event like a marriage of his daughter may

have to face the unhappy situation of being simultaneously ousted from the directorate of his bank to which he is till then considered to be a source of strength and prestige, a process which may involve the loss of his own prestige as a director of a local bank.

The rule if passed will have three effects: 1. it abrogates the by-laws hitherto passed by the general bodies of the financing banks and duly registered under the provisions of Co-operative Societies Act, in so far as such bylaws relate to the constitution of their committees of management, 2. it introduces without even so much as the formality of amending the Co-operative Societies Act, the principle of compulsion negating the right of the co-operative institutions to settle the composition of their own committees of management and 3. it opens a wide field of nomination by the Registrar to committees of co-operative banks.

We are emphatically opposed to the introduction of compulsion and nomination in this manner by the exercise of rule making power. It may lead to many anomalous and undesirable results. Let us illustrate our point. Suppose under the amended rule three individual members holding deposits to the extent at least of Rs. 5,000 have to be elected to the committee and that there are only three such members. All the three have to be elected or nominated by the Registrar, if they are not elected, even if the general body and the Registrar consider them to be otherwise unfit to discharge the functions of a committee member. In the alternative those places must be kept vacant shutting out capable, honest and desirable share holding members without deposits from those seats. The remedy may thus prove worse than the evil. It may be said that new individuals who can deposit the prescribed amount may be enlisted as members, even if the bank is not in need of additional share capital or the size of the individual membership does not require enlargement. Abuses may arise in such hunt for capitalist members, too patent to require mention. We ask in all humility whether such forced recruitment of capitalist members by the adoption of some device or other is consistent with any known principle of co-operation.

The explanatory note published along with the amendment states that the suggestion has emanated from the Reserve Bank of India and that the Government do not accept the recommendation of the Madras Committee on Co-operation to the contrary. It is further stated that the Registrar is in agreement with the view taken by the Reserve Bank of India. The note does not say on what grounds the Registrar has chosen to differ from the recommendation of the Committee. In so far as we are privileged to know the reasons which influenced the Reserve Bank to make the suggestions, they seem to be wholly unconvincing and

not founded on facts. The two main objects of the Reserve Bank are stated to be 1. to check over-borrowing by members and 2. to prevent unwarranted leniency in the matter of recovery of dues. A "financing bank" is defined by the Madras Co-operative Societies Act as "a registered society the main object of which is to lend money to other registered societies." So these banks do not directly lend to individuals but only to their affiliated registered societies. There is no evidence to show that the representatives of such member societies in the central (or financing) banks have so far exerted any undue pressure to over lend to the societies which they represent. Moreover the maximum limits of the borrowing power of the societies and that of the individual members thereof are definitely fixed and rigorously adhered to. Defaulting members of societies are disqualified from being eligible to the Panchayats of societies as well as committees of financing banks. The evil of over borrowing by members of societies, if it exists in spite of these safeguards is not one which can be cured by the compulsory introduction of a few depositing members into the committees of financing banks—a few clear drops of capitalism poured into a murky bucket of co-operation. From our experience of nearly two decades of the management of the Madras Provincial Co-operative Bank which is a financing bank within the meaning of this amended rule, we may say that the representatives of Central Banks on the Provincial Bank never exerted any undue pressure to over lend to the banks they represented. Again in regard to leniency in recovery there is no evidence that financing banks have been unduly lenient to their affiliated societies by reason of unhealthy influence exercised by the society representatives in the management of such financing banks. Moreover it is difficult to see how the introduction of a few depositing individual members in the committees of management of financing banks can prevent primary societies from overlending to their members or making them more strict in regard to recovery. The Madras Committee on Co-operation is undoubtedly right in objecting to the proposal firstly on the ground that no occasion has arisen so far for special representation of depositors and secondly on the ground that such a representation will create special or vested interests in central banks.\*

Apart from the reasons urged above, we are opposed to the amendment on the broad ground that it is wholly inconsistent with the theory and practice of co-operation to make the wealth of an individual the test of his right to a place on the management of a co-operative society, even if it is required in addition to character and capacity. That is a

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\*Report of the Committee on Co-operation. Madras, p. 221.



purely capitalistic view. Dealing with a somewhat similar proposal some years ago we said:

“In some provinces the Registrars are proposing to take power to nominate to committees of co-operative institutions some representatives of capitalists with a view to infuse some new blood of *business capacity* into our pale and anaemic committees. This appears to be a fundamentally and radically erroneous step. Capitalism, which has muddled up the affairs of the world or rather created two different worlds, one for the rich and another for the poor, and plunged the latter in the paralysing dread of poverty and want, has no place in co-operation. No capitalist, however well intentioned, can give a right lead to a co-operative institution”.†

A Capitalist Co-operator strikes us as a more amazing paradox than a Totalitarian Democrat.

## DEBT CONCILIATION ACTS AND CO-OPERATIVE SOCIETIES

We publish in this issue a closely reasoned article on the subject of debt conciliation and co-operation in the Indore state. The writer raises many complicated legal issues on which we do not propose to express any opinion. It is for the Indore Government and the Legislature to deal with them. But in so far as the article deals with the effects of the Debt Conciliation Act on the business of the Co-operative Societies and Central Banks, specially in respect of fresh advances for current agricultural operations and essential domestic needs, the writer raises a question of general importance. Debt Conciliation and Debt Relief Acts in most Provinces and States, in a way, exempt co-operative credit societies (primary and central) from their operation, some by an express provision making the Acts inapplicable altogether to co-operative societies and some by a provision to the effect that the settlements arrived at between the creditor and debtor under the Acts will not affect a co-operative society which is a creditor, except in so far as the Registrar of Co-operative Societies approves or sanctions such settlements under the Acts. But by reason of the inartistic and hurried drafting, the safeguard requiring the Registrar's previous approval in order to make settlements under the Acts binding on co-operative societies is found to be ineffective or illusory on a strict legal interpretation of the actual wording of the Act. In the case of the Indore Debt Conciliation Act, for instance, its beneficial intent to give reasonable

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† *Economic Problems of Modern India* (edited by Prof. Radhakamal Mukerjee and published by Macmillan & Co.), p. 211

protection to co-operative societies is frustrated mainly by the manner in which the words 'creditor' and 'debt' are defined without a close examination of the extent to which the provisions of the Act will be applicable to co-operative societies and the effect such provisions will have on the normal and legitimate business of co-operative societies.

On a reading together of the relevant provisions of the Debt Conciliation Act and the Co-operative Societies Act of Indore, the following are some of the anomalies which are said to arise: 1. debts of co-operative societies in respect of which an award is obtained under the Co-operative Societies Act are excluded from the operation of the Debt Conciliation Act, while debts in respect of which no such award is obtained fall within the scope of the Act; 2. debts in respect of which a settlement is arrived at between a co-operative society and its debtors come within the jurisdiction of the Registrar who can either approve or disapprove the settlement; but where no such settlement is arrived at and reported and a certificate to that effect by the Debt Conciliation Board has been issued the recovery of such debts, though they may be fresh seasonal advances for current agricultural operations will be stayed or postponed till after the debts in respect of which an agreement has been arrived at are fully recovered, and the Registrar has no jurisdiction to protect the interests of the societies. When the recovery of sums lent even for current agricultural and essential domestic needs is thus held up for years, the co-operative societies will naturally be forced to suspend further financing. We have said enough to show that the writer has made out a *prima facie* case for a fresh examination of the provisions of the Act affecting co-operative societies.

Our attention has also been drawn by other contributors to the pages of the Review to certain unsuspected developments which followed the enactment of Debt Conciliation and Debt Relief measures in some other provinces as well. For instance Sir Madhavarao Deshpande writing on Land Mortgage Banks in the C.P. & Berar said "We may however, console ourselves with the belief that the Debt Conciliation Boards have made a short shift of the responsibilities of Land Mortgage Banks."\* Debtors in C.P. and Berar are said to prefer resorting to Debt Conciliation Boards than approaching a Land Mortgage Bank to borrow on favourable terms for discharging a prior debt and that the advent of debt relief courts has, if at all, increased this tendency. This could have been hardly intended when debt relief measures and land mortgage banks were started side by side to relieve indebtedness and to save the debtor from the more serious consequences of debt.

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\**Indian Co-operative Review*, April-June, 1941, p. 298.

These measures are as much intended for the relief of individual debtors as the improvement of the general agricultural conditions of the provinces by converting, to the extent possible, deficit into surplus economy, by reducing the drain on the agriculturists' income, effecting a saving in interest charges on usurious prior debts and providing productive credit on favourable terms for future operations, which are expected to improve the yield and increase the income from land.

It is now time that a survey of the effects of the Debt Relief Legislation in the provinces and states on rural credit is made by provincial and state governments. There are some materials already available and where practicable intensive surveys of selected villages may be made to collect reliable information on the subject. There are some ways in which the legislative sub-committee of the two All India Associations appointed at the Bombay session in January last may make itself useful in this connection. With the aid of its widely distributed members, it may endeavour to collect such information as it can about the nature and scope of the various Debt Relief Acts in force in their respective areas, their working as reported by official and non-official agencies and the reactions of those measures on the operations of the co-operative credit societies and money lenders. The Associations may also institute a few prizes for approved essays on the subject by competent research workers. We recognise that sporadic piecemeal legislation to mitigate the more pressing social and agrarian disabilities under which the villagers now labour is not an entirely satisfactory mode of dealing with the problem affecting the life of the villager, which must be tackled as an entire whole as the Royal Commission on Agriculture has rightly pointed out. Nevertheless, in the present political and economic conditions of the provinces and states an all-front attack on the rural problem is not possible. Urgent problems like debt relief, provision for productive rural credit and co-operative organisation of our members for production and marketing of agricultural products cannot wait till we are able to launch such a comprehensive scheme.

## WEAVERS' SOCIETIES IN MADRAS

By

K. C. RAMAKRISHNAN,

*University of Madras*

The weavers' society is a type of industrial producers' organisation which is not common in countries co-operatively advanced. In the early days of the movement in Europe, associations of industrial workers sprang up in large numbers for co-operative production even more than for consumption; but they were all of the Self-Governing Workshop type. The workers were not independent producers, each working in his own cottage. They were all willing to work together under one roof or in one establishment pooling their resources, personal and material, and producing goods for sale to the public at a profit, with a management elected and removable by themselves. It is this type of society which received the help and the blessings of intellectuals like Charles Kingsley and John Stuart Mill. But though thousands of attempts were made only a few have survived, notably in England and France. Failure has been ascribed to the workers' conservatism, lack of discipline, insufficient equipment and more than all to the want of a guaranteed market. Hence several societies in England have had to link themselves with consumers' stores, which often finance them and take a share in their management. The French societies were patronised by the State and the municipalities by means of subventions, cheap credit, easier terms of contract and frequent payment for work. Though the scale of operations of these industrial producers' societies was comparatively smaller than that of many private or joint-stock concerns, they all carried on production in factories or big workshops and their aim was not to foster home industries carried on by individuals or families in isolated cottages. It is in this respect that our weavers' societies are fundamentally different.

The sponsors of our weavers' societies have had a profound faith in the survival of small units in industry which, in their view, should be associated for credit and for supply of raw materials and equipment and for sale of finished products; but so far as production is concerned it could and should be managed by workers each in his own house with the help of his family. They are not in general dismayed by the growing competition of large scale factory industry in one line after another.

A few fear the inevitability of capitulation; many ignore the signs of deterioration and some of the champions suggest all sorts of props for keeping alive not only the co-operative societies but the whole handloom industry.<sup>1</sup> The chances of economic survival of small units in weaving have not been studied closely and without prejudice or sentiment. Changes in views and in policy governing the conduct of weavers' societies may be seen from the following excerpts from the reports of Registrars of Co-operative Societies and findings of Committees of Enquiry.

### I. Early Expectations and Disappointments, 1905-35

In the Madras Presidency weavers' societies began to be organised very early after the Co-operative Credit societies Act was passed. The condition of weavers is said to have been "carefully studied" in a number of weaving centres; but we do not know whether this was done before or after the societies were registered. The first Registrar of Co-operative Societies, by no means a pessimist, expressed his disgust at the conduct of weavers who were members of a Co-operative Union. "They go to the middlemen when trade is brisk and come to the Union when trade is slack. They are a hopeless lot and I cannot help feeling that the time and energy spent in reclaiming them is spent in vain."<sup>2</sup>

The MacLagan Committee blessed the urban credit societies for weavers and other poor castes and pleaded for help and guidance by a philanthropic agency in their early stages, believing that they were "amenable to co-operative ideas and anxious to learn" and "generally most punctual and honest repayers."<sup>3</sup> That this was far too generous an estimate of weavers was proved by the experience of the working of credit as well as purchase and sale societies later on. But in spite of failures, Mr. F. R. Hemingway expressed his faith in co-operation for the regeneration of the handloom industry. "There must be room for a very great improvement in the economic condition of the weavers, if co-operative organisation can be formed. Careful and cool study of these trades will be necessary. But the thing can be done and there is no extravagant fancy in the mental picture of a net

1. For instance, the latest Committee on Co-operation in Madras (1939-40) recommends restriction of production of mill cloth by fixing quota or otherwise, cess on the sale of mill cloth, increase of license fee on mill cloth dealers, differential freight rates for transport of mill and hand-made products—apart from continuation and increase of subsidy, etc., for weavers' societies.

2. Report on the Working of Co-operative Societies for 1906-07, p. 3.

3. Report of the Committee on Co-operation in India (1915), p. 12.

work of weaving societies throughout the Presidency, organised into central and wholesale societies which are closely in touch with yarn and cloth trade, can get the weaver his yarn cheap, can advise him as what to weave and can sell his cloth for him.”<sup>4</sup> At a Departmental Conference of co-operative officials held in October 1922, it was pointed out that weavers’ societies failed because (1) they were too weak financially and otherwise to meet the competition of individuals and firms established in the trade, (2) the fluctuations in yarn prices were too wide to secure the steady loyalty of members, and (3) there was difficulty in the marketing of finished goods.<sup>5</sup> The suggestion was to form strong central societies in the chief weaving centres with yarn and cloth dealers as well as local primary societies of weavers as members, and to permit the sale of yarn etc. to non-members which would disarm the hostility of local yarn dealers.<sup>6</sup>

This desire to enlist the sympathy of vested interests, particularly the master-weavers and the yarn and cloth dealers, has long persisted in the schemes formulated to reorganise and strengthen the co-operative societies for weavers, in spite of the often pronounced and ever insidious attempts made by these ‘well-wishers’ to arrest the progress of societies, if not to wreck them altogether which the poorer members, knowingly or unknowingly, abetted. The pathetic dependence of the working weaver on master-weavers and merchants for the supply of yarn and credit and the sale of woven goods has been recounted in several annual reports. The hostility of this class to co-operative societies of every type—credit, purchase, production and sale—has been proved to the hilt. And yet the Textile Expert to the Government of Madras, after referring to “the malpractices of rich members, in many cases well-to-do weaver-merchants,” suggested, in his memorandum to the Textile Committee of the Madras Legislative Council in 1928, that rich weavers should be induced to take shares “by guaranteeing payment of a reasonable dividend so that they may release the poor weavers employed by them to work in the society.”<sup>7</sup> The master-weavers are too shrewd to succumb to this bait and release their hold on workers for a dividend, which may be reasonable from the co-operative point of view but contemptible according to their own standard. The Special Officer who surveyed cottage industries in the Madras Presidency in 1927-28 likewise stated that unless the sympathy of master-weavers and sowcars

4. The Madras Co-operative Manual, 1st edition (1921), p. 30.

5. K. S. Venkataraman, “The Handloom Industry in South India,” p. 122.

6. Report on the Working of Co-operative Societies for 1921-22, p. 17.

7. K. S. Venkataraman, “The Handloom Industry in South India,” p. 111.

"the class of people that are antagonistic to the progress of workers" was enlisted for the movement, it could not make any substantial progress. He wanted also outsiders with education and influence, who were well-wishers of weavers, to be admitted into societies so that "they might persuade master-weavers and sowcars not to stand in the way of progress."<sup>8</sup> How could this naive suggestion be taken up in the face of the indisputable fact cited in the official manual that "Attempts made in very many places to start societies failed on account of the opposition of master-weavers"? Societies could not be started in a number of important weaving centres for a long time for the same reason. The master-weavers feared that their business would be gone.<sup>9</sup>

The Townsend Committee on Co-operation found that "the help given by the co-operative movement to weavers so far (1928) is negligible; most of the weavers' societies are doing little, if any, work." Yet they felt certain that some of the troubles of weavers could be lessened by the application of co-operative methods. They thought that marketing was the crux of the problem and recommended the appointment of a textile expert under the Registrar to study markets, assist weavers in getting cheap yarn and to dispose of their manufactured goods—in which "the aid of the Triplicane or other large store might well be invoked."<sup>10</sup>

The Madras Banking Enquiry Committee in 1929-30 went into this question of co-operation for weavers at greater length and laid bare the weakness of the weavers' position. In spite of repeated attempts at reform and development, by way of supply of credit and raw materials and of the disposal of goods, the results were not commensurate with the efforts. The poor ill-nourished weaver was himself the greatest obstacle to the progress of the society. He indulged in drink and debt in spite of (or because of) low wages and irregular employment. He was often so indebted that he was not free to sell and buy on his own account. Such prior debt could not be cleared on any system. The depressing conclusion was: "there seems to be no escape from the system for a large number who are indebted to their masters save through migration or the bankruptcy court" and "it is beyond the power of any co-operative organisation to help them so long as they remain bound to the master." The weavers who were not so bound were in a minority and as long

8. D. Narayana Rao. Report on the Survey of Cottage Industries in Madras (1928), p. 46.

9. The Madras Co-operative Manual, 2nd edition (1930), pp. 86-7.

10. Report of the Committee on Co-operation in Madras (1929), pp. 56-7.

as the cost of production of handwoven goods was not reduced to the level of mill cloth it would be difficult to market co-operatively except a limited range of woven goods. The cost of production was indeed reduced by master-weavers cutting the wages of dependent weavers, while the latter and the independent weavers too tampered with the texture of the cloth. This is a trick to which societies could not resort. But neither the simple rustic nor the urban patriot would buy the better but slightly higher priced articles of the societies.<sup>11</sup>

Thirty years of departmental effort and the zeal and self-sacrifice of well-wishers like the late P. Ramachandra Sastry of Conjeevaram and Mrs. Todd at Salem could not add any appreciable strength to this branch of co-operation in the Province. The rank and file of weavers felt little interest in the movement, and were at best passive members without any will to improve their lot by working for the society through thick and thin. The exploiting elements continued to get into the managing bodies and take for themselves the bulk of the loans or the major portion of raw materials, leaving the poorer members to shift for themselves. Unfortunately no disinterested leader in the weaving community was found fit enough to manage even a simple society. There were a few well-meaning outsiders in the management, but they would not take the trouble to learn enough of the technique of production or of methods of business. The Government was for some years playing with the idea of engaging a single textile expert, or a mere co-operative inspector trained for a short period in Industries Department "to rehabilitate the weavers' societies on up-to-date lines."<sup>12</sup> Most of the societies were dormant, and all the rest put together did business on an insignificant scale. The best society could attract only 15 per cent of the local weavers as members. There were no doubt complaints about the rigidity and dilatoriness of financing institutions in granting credit to societies on the one hand and of the inability of isolated efforts to find good markets for the products turned out by members of credit and purchase and sale societies on the other hand. Credit societies, the largest in number of weavers' societies, only occasionally helped joint purchase and sale and did not interest themselves in production. A few of the purchase and sale societies were doing well for a time, but they sustained heavy losses due to fluctuations in the yarn prices. A few production and sale societies, where the risks of production were taken up by the societies, but weaving was carried on at home by weaver-members,

11. The Madras Provincial Banking Enquiry Committee Report (1930), pp. 133-37.

12. Report on the Working of Co-operative Societies for 1925-26, p. 38.



were conspicuous by their failure. Prior to the reorganisation of societies in 1935 all types of societies had transactions all told—credit, purchase, production and sale—amounting to Rs. 5 lakhs, while the value of all woven goods produced and sold in a year in the Province was estimated at Rs. 5 crores.<sup>13</sup>

The Economic Depression began to work havoc on handloom industry especially as the competition of mill made goods grew more severe, thanks to the protective duties levied on the import of foreign yarn into India. There was an agitation for some form of State aid to handloom industry and the Government of India resolved to grant Rs. 5 lakhs per annum from out of the proceeds of the new import duty on yarn. An Industries Conference was held at Simla in July 1934, where the principal subject discussed was: How far co-operative movement could be utilised in saving handloom industry. Unfortunately it was a conference to which Ministers and Directors of Industries were invited and not Registrars of Co-operative Societies or non-official co-operative leaders. Bitter and loud were the complaints made against weavers' societies in province after province. Most of the Directors of Industries and other officials would have nothing to do with co-operative societies for weavers, but favoured contractors and master-weavers as the agency for improving production and trade in handloom goods. One serious charge was that societies would not deliver goods in time, and when they did the goods were not uniform in quality nor in accordance with specifications. Everywhere societies were small in number and operated on a very small scale. There was no attempt at economic preparation of warps or the finishing of goods by machinery to compete with mill-goods. The weaver was sunk in debt, and without a debt relief measure he could not be a loyal co-operator. Graver abuses were alleged. The Madras view was that no more progress was likely without the establishment of a provincial co-operative marketing society for weavers, which alone could properly plan production and sale of goods. The Chairman, Sir Frank Noyce, concluded by saying that co-operation had been distinctly disappointing. Still the scheme to push through development of handloom weaving by co-operative means was vigorously taken up.<sup>14</sup>

## II. Reorganisation and Development, 1935-41

It is the Government of India Subvention Scheme, introduced in the year 1935, that has brought about something more than the renas-

13. K. S. Venkataraman, "The Handloom Industry in South India," p. 108.

14. Proceedings of the Sixth Industries Conference, 1934, pp. 101-10.

cence of weavers' societies in the Madras Presidency. Societies which are almost all affiliated to the new Provincial Handloom Weavers Society are increasing in number, extending in jurisdiction, enrolling more and more of the working weavers, helping the purchase of large quantities of yarn at cheaper prices, engaging the members on their looms at better wages and steadier work, improving methods of production and above all disposing of the goods woven by members. The Provincial Handloom Weavers' Society administers the scheme, as it receives the entire annual subvention of about Rs. 70,000 on an average. It shoulders most of the organisational work, supplies or arranges for finance needed by primary societies, arranges for the supply of yarn from mills at wholesale prices to the societies on its own guarantee, has opened a dyeing factory recently at Madura and proposes to open three more factories in other centres for the supply of dyed yarn to members of societies, sends round its designers to suggest new patterns for weaving, has engaged a number of marketing officers to popularise the goods of societies in consuming centres, is running two sales emporiums in Madras city and six others in mofussil towns and pushing the sales of goods through co-operative credit societies and stores and is doing a lot of propaganda for the sale of societies' products. The administration reports of the Provincial Society for the last five years disclose, on the whole, a very heartening state of affairs, a pace of progress which must be an agreeable surprise to co-operators who have been accustomed to hear only of slow progress, if at all, and have been more often vexed by the doleful tale of failures and disasters in spite of doles and other forms of aid given by the State to such societies.

There were only 40 weavers' societies in the Presidency when re-organisation was taken up in 1935. Almost all of them were merely credit societies. Only two—one at Salem, the other at Coimbatore—carried on production and sale and that too on the strength of a subsidy given by the Government of Madras and the adventitious help they received from a Collector's wife and a Collector who took up the cause of the depressed weavers. The number of societies increased steadily by 50 per cent every year in the first four years, and in the last co-operative year ending 30th June 1941 it was 181. The strength of weaver-members of the societies rose from 2,540 to 12,840 in the same period. There are at present 6,000 looms at work in the societies. The paid-up share capital of societies rose from about Rs. 40,000 to Rs. 1,48,000. The progress in the sale of finished goods was even faster. It was just a lakh of rupees in 1935-36, while in 1940-41 it exceeded Rs. 12 lakhs. The profits of societies working at a profit increased from Rs. 2,320 to Rs. 34,320, but the losses of certain societies

have also increased—from Rs. 7,000 to Rs. 33,600. It must be stated, however, that of this big sum nearly half was of two big societies, one of which had sustained a heavy loss in doing bad business in Northern India and the other was ruined by the defalcation of funds by a manager. The Provincial Handloom Weavers' society claims that members of primary societies receive better wages than what master-weavers generally pay, though on exceptional occasions to meet a big and sudden demand the latter may raise wages for a while. The more important benefit conferred by the co-operative system is that even at slack times it is open to a member to go to the society, get a supply of yarn, weave it and deliver the cloth to the society and claim his wage for weaving, while the master-weaver may not care to engage any one at such time or engage only at a very low wage.

In this connection it must be noted that the nature of help rendered by weavers' societies to members since the reorganisation in 1935 is different from the earlier one. Every member is paid a wage for weaving the yarn supplied to him by the society which takes the risks of investment in yarn and in sale of goods. These risks are not to be borne by individual members, though they are entitled to share in profits later on. Formerly most of the members of societies were treated as independent weavers and were supplied with yarn, and very often with cash for the purchase of yarn, and there was no supervision worth mentioning over the use of cash or yarn and its disposal, with the result that default in repayment of dues was too common. The society now takes the place of the master-weaver without his exploitation. The loss of the so-called independence of weavers in production and sale is but illusory. For such weavers were always in a minority and their earnings were seldom appreciably larger than of dependent workers for all the time, trouble and risk they had to take in buying and selling. The weavers' societies at present do not get finance for any other purpose than production; in their turn they purchase and supply yarn and pay wages and meet incidental charges but do not attempt to clear off any prior debts of weavers or meet their credit needs for maintenance of families, much less for any ceremonial expenses. It is this that prevents many workers who are already heavily indebted, and therefore tied to master-weavers, from joining any society, or if they join from being loyal members. But this unpopularity is the price that societies have to pay for financial safety and integrity and the discharge of their responsibility to the financing bank or the Provincial Weavers' Society.

It would be impossible for the primary societies, with the kind of security they are able to offer and the composition of members who are

too poor to subscribe sufficient share capital, to secure the credit necessary for working the loans by buying yarn and paying wages, but for the good offices of the Registrar of Co-operative Societies and the efforts of the Provincial Society. The latter cannot indeed finance except to a very small extent, from out of the small share capital and the modest resources placed at its disposal by the Government of India and the loans now granted by the Provincial Co-operative Bank. It confines its loans to the new and young societies, to none of which it lends by way of cash credit more than Rs. 1,000, besides paying a monthly subsidy up to Rs. 60 for establishment maintained by societies. But the District Central Banks have been persuaded by the Registrar to grant loans to societies in their jurisdiction, which are working satisfactorily, to the extent of 5 to 8 times of societies' owned funds (i.e. paid-up share capital plus reserve fund). This is indeed a generous help, considering the nature of security that the floating assets of societies offer. The Provincial Society renders a greater service in arranging with some of the cotton mills of South India for the supply of yarn of various counts at current wholesale prices to the affiliated societies on its own guarantee. But as current mill prices are not always advantageous on account of the forward contract system which enables some local yarn merchants to sell at cheaper rates, the Provincial Society proposes to buy itself yarn on forward contract system and stock it in its sale depots at important centres for supply to the affiliated societies. It is only with increasing financial resources and greater stability that this risk could be taken. Meanwhile some societies are permitted to buy their own yarn locally—a privilege which is to some extent abused. The Provincial Society also proposes to stock and sell limited quantities of lace, silk, art silk and mercerised yarn, which some societies require and have been buying locally. It has already opened one dyeing factory and intends to open a few more for supplying reliable dyed yarn, on which much of the reputation of woven goods depends in our country, especially as regards ladies' goods, while the difficulty of securing good dye-stuffs is increasing on account of the war. Even more important is the designing work carried on by the five designers of the Provincial Society, who have visited most of the societies and suggested a large number of new and marketable designs, some of them of mill pattern.

One line of service the Provincial Society undertook—that of finishing and calendering the hand-woven goods, especially shirtings and coatings—by installing a plant at Madras capable of doing 4,500 yards a day has been a great disappointment, as no more than 16,350 yards of cloth were received for such treatment in a whole year from pri-

many societies in the Province, which meant only 4 days of work in the month. Most of the societies in the Province do not produce shirtings and coatings, and there is really no demand for such finishing as regards a variety of indigenous products, dhoties and sarees especially with a mixture of lace and silk. This treatment is resorted to more commonly by the handloom industry in the West Coast whose large output of shirtings etc., is on that account more easily disposed of. Perhaps East Coast societies may take to this line after some time.

The latest and perhaps the greatest service attempted by the Provincial Society is the appointment of 8 marketing officers with business knowledge who are to be in charge of sales of societies' goods at different centres in the Province with jurisdiction over three districts each. Their duties have been prescribed as follows: to study the demand for different varieties of handloom cloth in their areas and regulate production accordingly, getting the help of designers, meeting merchants and institutions for the disposal of goods, studying and preparing standard rates of wages for different varieties of cloth, helping standardisation in production and arranging for the supply of yarn and other raw materials of quality. This is indeed a tall order, and for the multitude of duties prescribed, the remuneration seems inadequate. An additional inducement by way of a small commission on business done may be offered.

It is indeed very creditable that the annual sales of the goods of societies in the Province have already increased twelve-fold in the course of six years after reorganisation, i.e. from Rs. 1 lakh in 1935-36 to Rs. 12 lakhs in 1940-41—a figure which is far in excess of the sales of societies of any other Province in India and perhaps in excess of the total of the sales of all of them put together. There is no doubt that the Government of India Subvention Scheme has been most faithfully and successfully worked in this Presidency.

### III. Some Defects in working and their Rectification

The consuming public too, especially members of co-operative institutions, have responded very well. The people of this Presidency have always been better patrons of handloom goods and these are produced here in the largest quantity and of very various patterns, though Madras has only the second largest number of handlooms among the Provinces. The societies' goods, so carefully produced as detailed above, have captured the imagination of consumers, though they are not particularly cheaper than hand-woven goods sold in the bazaar. People do appreciate the guarantee, morally if not legally given, by the Provincial

Handloom Weavers' Society for the goods of affiliated societies in respect of the quality of yarn, dyes, lace, and other materials used, the texture, the measurement, etc. noted on the label. There are, however, lapses here and there. A few societies have used inferior yarn, fleeting colours, and have marked on the label measurements not quite correct. Where these complaints are brought to the notice of the Provincial Society the latter should issue a severe warning and do its best to rectify the defects. For if these persist even in a very small number of societies, it is bound to bring down the reputation of the goods of every society; at any rate merchants will see to it. With a large number of urban buyers, who have a genuine desire to patronise handloom goods, especially of co-operative societies, it is not a slightly higher price but any uncertainty as regards quality that will bring about a revulsion, which it is not easy to eradicate once it gets into the mind. It is up to the marketing officers of the Provincial Society to keep a vigilant eye on the quality of goods turned out by societies.

The price policy pursued by the societies, may be under the instructions of the Provincial Society, is not understandable. The principle of fixing selling price at cost price plus any particular margin of profit for the primary society instead of selling goods at market price, which is the Rochdale rule, is not quite sound and will indeed be found unworkable in practice in the long run. The Provincial Society wants uniformity in the rate of profit to be added to cost price; but it has been issuing instructions from time to time on the rate of profits to be added, which the societies are expected to follow scrupulously. It has indeed been already obliged to allow the labelled prices to be changed according to changes in market price, brought about primarily by the fluctuations in the price of yarn. The excess profits earned in a period of rising prices are expected to be carried over to a Price Fluctuation or Equalisation Fund, to be resorted to when losses are sustained by any fall in prices of cloth. This is really not 'the actual cost price plus margin' principle but 'the cost of replacement plus margin,' which is nearer 'the sale at market price' principle. Why not make an avowal of this latter principle and instruct marketing officers to fix selling prices according to the ruling market prices in the locality? The practice so far followed of charging a definite margin over actual cost price has indeed served as an opportunity for shrewd merchants to take advantage of lower prices in the societies and buy their goods and sell them in the local or distant markets at higher prices ruling there. Surely these fair-weather friends will not patronise the societies at a time of falling prices, unless the societies bring down the labelled prices lower still. On the other hand co-operative stores and credit societies who undertake to sell the goods of weavers' societies at prices labelled

by the latter are obliged to sell them only at those rates—which sometimes vary because they were supplied at different times—and forego the profits that would accrue if they were allowed to sell at the higher market prices, while at a time of falling prices they would be left with the goods unsold. Sale at current market price will be, as in the case of Rochdale stores, a sound rule for all societies though it means some risk. It will, for one thing, remove the absurdity of selling the same weavers' societies goods at different rates, because they were supplied at different times and will also deprive the merchants of the opportunity to exploit the rigid rule of sale at cost price.

It is perhaps difficult to allow the rule of sale at market price by the selling societies when they undertake to sell only on consignment basis and remit cash for goods sold and have the right to return the unsold goods within three months. How this consignment system has worked may be noted in the report of an *ad hoc* committee of the Executive Committee of the Provincial Society: "The present method of sale on a consignment basis has in several cases proved to be extremely unsatisfactory. The indenting institutions place their orders without a due sense of responsibility, merely because there is no obligation on their part to sell the goods indented. . . . the goods are often unnecessarily retained for long periods and returned in a damaged condition with the result that societies have been put to heavy loss." Further prices fluctuate between the time of production and sale of goods which, it is admitted, has adversely affected weavers' societies.

There is one further hardship that these societies have been put to, which the writer of this paper has heard from some of them, and that is due to the bane of credit sales that the sales emporiums and the co-operative institutions have encouraged among buyers of goods. The producers' societies consisting of poor wage-earners do not receive the proceeds of sales for months together due to the three months' credit given by the above selling agencies to buyers who are far better-off and do not deserve the long credit. At any rate the co-operative credit societies attached to offices, banks, firms, etc., which undertake to pay the sale price on behalf of the buyers who are its members, should be asked to pay within a month in one lump sum, instead of the three instalments extending over 3 months, though they may recover these dues from members in any number of instalments they like. A curious and ingenious development of this system of issuing credit slips by the above credit societies to their members for buying up to a specified value the goods they want in sales emporiums is that these slips are sold away at a discount by impecunious members, or the goods are purchased and sold away at lower prices; for the need for cash is so urgent.

This is but a repetition of an abuse which was rampant among improvident and intemperate members of a big railway "co-operative" society at Madras, which has since been closed.

The Triplicane Urban Co-operative Society has for two years now been dealing in piecegoods, mostly hand-woven all of which were products of the weavers' societies, but supplied at first through the Provincial Handloom Weavers' Society and latterly by the primary societies themselves directly. As long as the T. U. C. S. was buying and selling on 3 months' consignment basis, the supply was slow and hesitant and the goods most in demand were often not sent at all or despatched in time. Now that the T.U.C.S. has gained some experience and is confident of selling certain lines of goods demanded by its members, it has taken courage to purchase outright, and pay by cheque soon after goods are received and checked according to invoice. The weavers' societies are at present eager to supply goods to the T.U.C.S., for they get cash quickly and do not dread the return of unsold goods in a damaged condition long after their despatch. No appreciable concession is shown for cash purchases, but societies are anxious to please a customer like the T.U.C.S.; and the latter has in its turn been selling to its members only for cash. The business done by the T.U.C.S. in piecegoods was rather poor till this system of outright purchase began last June. Since then sales have been mounting up and in less than four months sales have totalled Rs. 10,000—which is more than what most sales emporiums have been able to command even by selling on credit. There is no doubt that the members of this premier consumers' society will patronise the goods of handloom weavers' societies more and more in the months to come, provided some more capital is invested by the management in this line and quicker supply is forthcoming from the primary societies under the guidance and fostering care of the Provincial Society and the Department of Co-operation.

Some old well-established and a number of new stores in the mofussil may likewise encourage these co-operative handloom products and sell them for cash to members at market price and remit the proceeds at once to weavers' societies or the Provincial Society, even if they cannot afford to purchase goods outright. It is only with such encouragement by all the consumers' societies in the Presidency and the Local Bodies (which are in fact obligatory consumers' associations) that the need to seek the help of merchants, which the Provincial Society is contemplating, will be obviated. It may be difficult, and it may take more time, to build up societies of petty producers; but it cannot be so difficult to rouse the comparatively better-off and more cultured members of urban consumers' and credit societies to a sense of



their duty towards organisations of poor producers, as long as these are worked on satisfactory lines and the products turned out are guaranteed and not too costly. The present is indeed a very propitious time when mill goods are selling at almost the same, if not a slightly higher, price than handloom goods; for the weaving mills seem to be busy catering to, or anxious to cater to, the war requirements. There is of course the difficulty of the supply of yarn, now that imports from Japan are declining and may be cut off entirely. The spinning mills, however, in South India, new as well as old, are increasing their output of yarn and may be depended upon to meet the slowly growing demand of handloom weavers.

#### IV. The Leeway to make up and the Future

Though the progress of weavers' societies in Madras in the last six years has been very remarkable, and unparalleled in India, it is necessary to note that there is still much leeway to make up. There are at present 181 societies. But there are yet 120 weaving centres, with more than 200 looms each, which have no societies. There are a little more than three million looms in the Presidency, but only 6,000 looms have come under the sway of the societies. The number of weavers in the Province is estimated at 1,200,000; but there are only 12,800 members in weavers' societies. The value of all products annually turned out by handlooms in the province was estimated at Rs. 5 crores some years back. It must have surely increased now. The value of hand-woven goods exported from the Madras ports in 1939-40 alone amounted to Rs. 150 lakhs. But the value of finished goods sold by all our weavers' societies in 1939-40 was only Rs. 10 lakhs, and it increased to Rs. 12·8 lakhs in 1940-41. For the number of looms which are said to be in the societies' control, at least Rs. 20 lakhs worth of goods should have been produced; but only 65 per cent of it has been done, because of the idle looms in several societies. We find in the Report of the Provincial Society's *ad hoc* Committee that in 22 societies there were no looms at work at all, and in several societies work was available only for half the month. There were 51 societies which had less than 25 looms each, which is considered the minimum economic unit necessary for running a weavers' society without loss.

The inadequacy of share capital is a fundamental difficulty and this can be raised from poor weavers only in dribblets very slowly and by gentle pressure exercised at the time of receipt of wages, and other earnings if any. The admission of master-weavers with a view to get more share capital and swell the transactions is a facile solution; but the temptation must be resisted, as it leads to their domination almost

always. They are still to be found on boards of some societies wielding a lot of power, at which even officials have to wink, as in the case of loan and sale societies. Such master-weavers are naturally anxious to keep the societies undeveloped beyond a stage, lest they should be obliged to part with power or suffer in their own business, not a jot of which they would like to sacrifice for the sake of the society. And as long as poor working weavers are indebted to them, and there is no scheme of debt-redemption, it is difficult to expect any great degree of loyalty to the society. Even if some measure of debt relief were passed, provision of credit for the future for consumption as well as for production, limited to emergencies, would be necessary if they should not fall again into the hands of master-weavers. Such credit could be kept up only when the income of the weaver increases by the adoption of technical improvements as well as of better methods of business.

Men belonging to the weaving community and possessing culture and influence, but with no vested interests as master-weavers, should be sought out by all means and vested with power. Such men are rare to get at, and if they come they resent official interference, even as master-weavers do for a different reason. Official intervention should be declared necessary and actually taken up only when the non-official is unable to pull through, and not brought in automatically as soon as the number of looms exceeds a prescribed limit. The young Departmental Inspectors who are in charge of some grown-up societies are not all of the inspiring sort. They are there mostly as watch-dogs to check the vagaries of some members of the Board. They are not, however, to blame if they have been sent out without any training in the technique of production and the power to discriminate between different textures, qualities of yarn, dyes used, etc. They could all have had a short course in the Textile Institute at Madras.

Granting that all that co-operative organisation can do is done, is it certain that the domestic handloom industry plied by one or a few people in every house will survive for long the onslaught of the factory textile industry which is encroaching in one branch after another of what used to be considered in the past the preserve of handlooms, for instance, sarees for ladies in South India? On the other hand, the demand for certain goods, like fine turban cloths with lace, is very much on the decline in Western India, which used to be the principal market. The weavers affected by this change in demand have shown a surprising adaptability and taken to weaving cotton sarees of finer counts. The handlooms alone can still do certain types of cloths, especially where lace or silk is interwoven, and it is at an advantage where the demand is for a great variety of patterns. On the other hand, organisations like

co-operative societies and even big commercial firms would very much like to have some standardisation in goods turned out by handlooms, and if possible check the vagaries of consumers who demand an immense variety. If this succeeds, will not the strength of the single-loom weaver be gone? For standardisation might be more economically achieved by setting up a small number of power looms plied in cottages or workshops with cheap electric power, as in Japan. This is already being attempted in a small way here and there in our Province, and Mysore has taken to it more avidly. Again the system of *Karkhana*, which is really a big workshop where a number of handlooms are fitted up and weavers work under one roof but each on one loom as at home, is spreading fast in the neighbouring province of Bombay and is found to a considerable extent in the Malabar Coast. If either of these systems or both the *Karkhana* and the small power looms should spread because of their economic superiority, notwithstanding the lament of men of goodwill on the loss of independence and craftsmanship which home work is supposed to foster, will not the weavers' societies have to change with the times and reorganize the whole basis of their work and reconstitute themselves on the lines of the famous self-governing workshops of the West? This is a problem which will have to be faced in the not distant future, but it is one which, we believe, the stronger weavers' societies will be able to face with equanimity.

## CO-OPERATION AMONG HAND-LOOM WEAVERS IN BOMBAY

By

P. V. KELKAR,

*Inspector, Weavers' Co-operative Societies,  
Bombay Province, Bombay*

The Hand-loom Weaving Industry occupies a place of importance and usefulness, second only to that of agriculture. It is the primary means of livelihood of a large number of persons. It is important both as an urban and rural industry giving employment to millions of men, women and children, of all communities. The term, 'Hand-loom Weaving' has a wide connotation. It comprises of weaving of fabrics of cotton, silk, wool, coir, sisal, hemp, ambadi, jute, cane, bamboo and cora-grass and weaving in each of them obtaining in such areas as there are natural facilities.

In the Bombay Province, jute and cora-grass are not woven. Cotton textile industry is one of the three main human physical needs, i.e., food, clothing and shelter. Cotton is the natural clothing of the people of India. It is light, cool, and best suited to the tropical climate. It is estimated that the use of cotton cloth is in proportion of 30 to 1 of other textiles of rayon, silk and wool. Cotton weaving, therefore, plays the same part in the Indian industrial system as the woollen industry does in England. Next comes silk weaving as a cottage industry. Silk is locally available. Besides, the use of silk and silk cloth is decreed by Indian customs—Hindus and Muslims—on religious and ceremonial occasions.

In the year 1909, there were, in the Bombay Province, about 9,00,000 people engaged in the industry and about 8,87,000 in the hand-weaving of cloth with cotton, silk, gold-thread, and wool. There were about 1,000 hand-weaving centres each of which had looms ranging from 25 to 10,000. The articles produced were chiefly sarees of cotton and of cotton and silk mixed. Purely silk sarees with or without gold-thread borders and with gold-thread designs in the body and headings were being produced in centres like Poona, Yeola, Surat and Ahmedabad. Gold-thread was manufactured at Poona, Yeola and Surat. Other fabrics of silk, i.e., kinkhaubs, shirtings, coatings, etc., were being produced in Ahmedabad, Surat, Belgaum and Guled-gud. The wool weavers scattered over the Province were producing

Kambals for the use of agriculturists. In the case of cotton and silk weaving, in the majority of cases the loom used had been throw-shuttle pit loom with 'weighting arrangements' or 'draw-boy system' for producing designs both in the borders, body and heading. The wool weavers were using a most primitive type of loom with single warp system. The weaving of cane and bamboo was being done by hand only. The other fibres, i.e., coir, sisal, etc., were only used in manufacture of ropes, twines, etc., by hand. The Province annually consumed about Rs. 15 crores worth of cloth, of which the hand woven goods were worth Rs. 4 crores.

The economic status of the hand-loom weavers in this Province, classified in three categories is shown below:—

(1) Nearly 5 per cent of the weavers were master weavers. They did not weave themselves, but they employed labour weavers extending from 20 to 100 on a wage basis.

(2) Nearly 20 per cent of the weavers were weaving their own cloth. They used to get the raw materials, i.e., yarn, etc., on credit from the merchants, who used to purchase their finished cloth.

(3) Nearly 75 per cent of the weavers worked in the bondage of the local *saukars*. In addition to the competition from the mills, the competition from single powerloom-units and small scale weaving factories, has become serious for the handloom industry in recent times.

After the passing of the Co-operative Societies' Act in the year 1904, Government ordered, in the year 1909, the survey of the hand-loom weaving industry in this Province by Mr. P. N. Mehta. Acting upon his recommendations, Government created, in the year 1910, a post of the Weaving Expert Assistant to the Registrar, Co-operative Societies, and approved the appointment of the then Head of the Textile Department of the V. J. Technical Institute, acting as "Consulting Expert." In the year 1913, Government sanctioned the continuation of the post of the Weaving Expert Assistant created in the year 1910, and created two new posts of the Weaving Expert Assistants to the Registrar, Co-operative Societies. One Weaving Expert Assistant was placed in charge of the supervision of the demonstrations of improved appliances and tools; the other for supervising the hand-weaving schools; and the third for organising and developing co-operative societies among the handloom weavers. In the year 1915, Government created a post of the Inspector, Weavers' Co-operative Societies, for the Southern Division. This arrangement continued till March 1919, when the Department of Industries was

created by Government. Two Weaving Expert Assistants in charge of the hand-weaving demonstrations and schools were then transferred to the Department of Industries, and one Weaving Expert Assistant and the Inspector, Weavers Co-operative Societies, S.D., were retained in the Co-operative Department with their designations changed to the 'Inspector' and the 'Assistant Weaving Inspector, S.D.', respectively for organising and developing weavers' co-operative societies.

During the period of 1910 to 1919, a number of fly-shuttle looms were introduced together with simple dobbies at various important hand weaving centres in the Province. The weavers attending the demonstrations and schools were taught the production of different types of goods, such as coatings, shirtings, chaddars, towels, etc., in addition to the production of the local type of goods with the improved appliances and tools.

With the object of eliminating the middleman, who dominated the hand weaving industry, and of bringing the prime producer into direct touch with the ultimate consumer, co-operative societies were organised among the hand-loom weavers with the following objects:—

(1) To grant cash advances to weavers; (2) To purchase raw materials at wholesale rates and retail the same to weavers; (3) To purchase improved appliances and tools and sell the same at cash or on hire-purchase system to weaver members; (4) To grant advances to members on the security of cloth woven by them; and (5) To open a shop in the bazaar in which the members' produce is purchased and sold to the public and merchants.

In consonance with these objects, it was thought desirable that these societies should expand their activities and business in the following manner:—

(1) In the first instance, a society should conform itself only to credit business. With the advance obtained from such a society, a weaver member was at liberty to buy his yarn from any shop, and after selling the finished articles at reasonable price, was to pay back the advance in easy instalments, spread over not exceeding three months.

(2) As soon as sufficient experience was gained, a society, as the next step in its development, should undertake the wholesale purchase of yarn and other raw materials and retail the same either for cash or on credit of not exceeding three months to its members.

the second step and a society possessed sufficient funds, it should begin

(3) When it was found that sufficient experience was gained in

to make advances to its members against the pledge of their finished produce in the dull season. The advances thus made were to be partly in cash and partly in the form of raw materials.

(4) And the last stage was to be reached by a society, with the opening of a regular shop in the bazaar at which the members' cloth was to be sold to the public and merchants.

The societies formed were of unlimited liability. The capital was collected by fixed deposits of five years. Government made a loan to these weavers' societies. In each case the amount of loan given was not to exceed Rs. 2,000, to be free of interest for the first three years, and thereafter was to be paid at  $6\frac{1}{4}$  per cent interest, per annum within 10 to 20 years, by annual equated instalments. After paying all the interest due on the borrowed capital and all the working expenses from the gross profit earned during the year, one-fourth of the net profit was to be carried to reserve fund and half of the remainder was to be distributed to members in the form of bonus *pro rata* of their business in raw materials and finished articles with their society.

The co-operative system of finance thus organised offered the following advantages to the weavers: (1) low rate of interest, i.e., at 9 per cent per annum against that of 12 to 15 per cent of the local Saukars; (2) raw materials at cheaper rates; (3) facility to store the finished articles in the off-season and thus to get better prices in the season; (4) purchasing the raw materials at wholesale rates and in quantities; and (5) selling the finished goods wholesale and in retail to the ultimate consumer without the intervention of middlemen.

In the year 1916-17, due to disparity in the rates of raw materials and those of the finished goods as a result of the then war conditions, Government had arranged to distribute rebate on the purchases of raw materials to the members of the weavers' co-operative societies. In the year 1918-19, a union of the weavers' co-operative societies in the Southern Division was started with its headquarters at Hubli, with the object of purchasing wholesale the raw materials and distributing the same to the affiliated societies, and of arranging for the sale of the finished articles of the members of the affiliated societies. This Union got a loan of Rs. 10,000 from Government at 5 per cent interest. In the year 1920-21, another Union of the weavers' co-operative societies in the Sholapur District was started with similar aims and objects. In the year 1924-25, a Co-operative Sale and Show Room was started at Poona, with Government subsidy, as an experiment for

two years. The arrangement worked well. In the year 1926-27, arrangements were made to sell the finished articles through the branches of the Bombay Provincial Co-operative Bank and through the District Co-operative Banks. This arrangement also worked well.

In the year 1916-17, there were 29 weavers' co-operative societies in the Bombay Province with a total Membership of 2,260, total working capital of Rs. 1,39,330 and sales in the year to the extent of Rs. 85,000. The markets of the raw materials and finished goods continued to be steady from the year 1918-19 to 1926-27, and this period witnessed the growth of co-operative societies among the weavers. The number of societies rose from 29 to 59, membership from 2,269 to 3,090, the working capital from Rs. 1,39,330 to Rs. 3,34,808 and the sales from Rs. 85,000 to Rs. 2,31,882. The progress thus made by the Co-operative Movement among the hand-loom weavers would have continued either to remain steady or gradually advance further, had the Government not been confronted by hindrances, internal as well as external.

The following were the *internal* difficulties experienced by the weavers' societies in their working :—

(1) In the first stage, though the rate of interest had been at 9 per cent per annum against that of 12 to 15 per cent charged by the Saukars and though the instalments of repayments were easy and spread over for three months, still some members became defaulters. Extension of time granted by the Managing Committee proved abortive.

(2) When the society entered the second stage or received guidance and got sufficient experience in the purchase and sale of raw materials, the master weavers individually undertook the business and became competitors to their own society.

(3) When the society entered the third stage of advancing loans—partly in the form of raw materials and partly in cash—against the pledge of the finished goods during the off-season and when the business was found advantageous, the master weavers undertook the same individually and set up individual competition against their own society.

(4) This Province has got 22 sub-castes of weavers and mutual distrust and jealousy prevails among them. In addition, there is lack of organisation in any sub-caste, and the individuals lack proper outlook and breadth of vision.

(5) Since a middleman had intervened between the prime producer and ultimate consumer, a weaver had become solely so depen-



dent on the Saukars of his place for the sale of his finished produce, that he has lost his initiative to be abreast of the time and thus make the production suit the tastes and requirements of the ultimate consumers. This disability on the part of weavers has not enabled them to adopt themselves to the constant changes in the tastes of the people and varied demands on account of changing fashions from time to time.

(6) Conservatism, stubbornness or obstinacy, which explain lack of proper organisation, prevailing among the weavers, do not permit them to quickly adopt modern methods and employ improved tools and appliances so as to keep their industry a going business with the times. All these causes explain the poor progress made by the weavers' societies and even deterioration in their condition.

The following may be set out as *external* difficulties which have resulted in considerably affecting the vitality of the hand-loom industry as a whole between the period of 1927-28 to 1939-40 :—

(1) The markets for the raw and finished goods showed a continuous decline.

(2) The prices of the Japanese double yarn were being quoted near about those of Indian single yarn and the prices of power-looms had also reached their lowest level. The manufacture of sarees and patals produced on handlooms was, therefore, found to be more economical and remunerative with the use of the power-looms. The master and saukar weavers, therefore, established small power-loom factories of 1 to 50 looms and thus became direct competitors to the hand-loom weaving industry.

(3) People are taking to new fashions, and accordingly tastes are daily changing. The hand loom weaver has lost the capability of unending diversification and is, therefore, unable to adopt his production to suit the changes in tastes from time to time. The changes in the tastes have considerably reduced the demand for the long established types of hand-woven cloth.

(4) The application of the Factory Act to the hand-loom weaving industry, dyeing and printing has affected the system of carrying on the industry by groups.

As a result of the above situation (1) the production of fabrics with silk and gold thread has vanished from Poona and Yeola, and of bodice cloth from the Karnatic; and (2) the number of hand-looms which produced sarees for the rural requirements had to be stopped at some centres to the extent of 50 to 75 per cent on account of the competition by the power-looms.

As a consequence of the conditions mentioned above, the movement among the hand-loom weavers had suffered considerably in the period of 1927-28 to 1939-40. At the end of the year 1939-40, the total number of weavers' societies stood at 39 with a total membership at 1,888, working capital of Rs. 1,63,381 and sales aggregating to Rs. 68,446.

In view of the thus declining state of the hand-loom industry, Government of India made subventions to different Provinces. Under the Government of India Scheme for the marketing of hand-loom products, the Cotton Scheme came into force from the year 1925-36. After about two years, the Wool Scheme with subvention from the Government of India was also introduced. The provisions made under both the schemes were as under:—

For carrying out the scheme, District Industrial Co-operative Associations with limited liability were to be organised at the principal hand weaving centres enjoying registration under the Co-operative Societies' Act of the Province. New by-laws were framed with the following principal objects:—

The membership was kept open to individual weavers, weavers' societies, and sympathisers of the industry. To enable as many weavers and others as possible to join the Association the value of each share was kept at Rs. 2. In order that an extremely poor weaver may be able to join the Association, contribution towards share in very small instalments of annas four per month was provided for in the bylaws. To fulfil these objects, each Association was to start a shop at the headquarters of each association, which is either to be a taluka or a district town. Each Association was to obtain advances from a co-operative bank. Each Association was to be directly supervised and managed by the Board of Management formed of 11 Directors consisting of 3 Ex-Officio Directors—(i) Assistant Registrar, Co-operative Societies of the Division; (ii) Marketing Officer, Hand Loom Products and (iii) Weaving Assistant of the Department of Industries of the Division; 2 Nominated—(i) Nominee of the co-operative bank financing the Association; (ii) Nominee of the Joint Board of Co-operation and Industries; 4 to be elected from the individual share holders; and 2 to be nominated by the affiliated weavers' societies.

The Board of Management was to carry out the work under the general control of the Joint Board of Co-operation and Industries formed of the Registrar, Co-operative Societies and the Director of Industries, who was also to act as the Administrative Officer of the scheme. The Joint Board was also to be assisted by an Advisory

Board consisting of (1) the Managing Director of the Bombay Provincial Co-operative Bank, (2) Representatives from the cloth trade, and (3) Representatives from the Industrial Associations formed. Under the Wool Scheme the supreme authority is vested in the Director of Industries who is carrying out the scheme through his Wool Expert and the Industrial Associations, agreeing to work out the scheme. Under the Cotton Scheme, there are 9 Industrial Co-operative Associations in the Province at the following centres with their respective areas of operations and the producing centres marked against each.

<i>Centres.</i>	<i>Area of operation</i>	<i>No. of Producing Centres.</i>
1. Ahamadabad	.. Northern Division	.. 3
2. Dhulia	.. East and West Kandesh Districts	.. 1
3. Malegaon	.. Malegaon Taluka	.. ..
4. Yeola	.. Yeola Taluka	.. ..
5. Ahmadnagar	.. Ahmadnagar District	.. 3
6. Sholapur	.. Cholapur District	.. ..
7. Bagalkot	.. Bijapur District	.. 4
8. Hubli	.. Dharwar District	.. ..
9. Belgaum	.. Belgaum District	.. ..

The Wool Scheme is being carried out by the Association at Ahmednagar with about 40 producing centres and that at Hubli with about 4 producing centres. Recently, an Association for wool weavers has been organised at Ranebinnur in the Dharwar District.

The principal objects for which these Associations are started have been, in general, to get manufactured goods entirely of different patterns from those that were being produced before, by a majority of weavers. Under the Cotton Scheme, dhoties, shirtings, coatings, towels, chaddars, counterpane, sheetings, furnishing materials, etc., were directed to be produced. In doing so, both the objects, such as educating the weavers in the production of new types of cloth on commercial scale and selling the same as well as reducing the bulk of the production of the local types of cloth were fulfilled. The latter has, in addition, resulted in securing better rates for the local types of

goods owing to reduction both in the production and supply, both in qualities and quantities. Thus the indirect advantages of these Associations were also felt, as non-member weavers of the Association concerned could take advantage of the better demand from the market for their own products.

Under the Wool Scheme, the weavers have been taught the scientific methods of (1) sorting and grading the wool, (2) blending and mixing the wool, (3) opening, oiling and carding the wool, (4) spinning even yarn on the improved spinning wheel, (5) preparing the warp and sizing the same, (6) weaving designed blankets, and (7) finishing the goods produced. In addition to the above, the manufacture of full-wool goods such as shawls, flannels, etc., and half-wool goods such as trouser-cloth, shirtings, coatings, etc., is being taught and got done on a commercial basis both from the cotton and wool weavers in the Province.

With the help of Government subsidy, the Association at Ahmednagar has started a well-equipped dye-house wherein the Finishing and Raising Machinery for the woollens has been set up and where dyeing and printing are done both for the requirements of the Association and Sister Associations, if so required by them, and for the non-member weavers. A similar dye-house on a small scale has been started by the Yeola Industrial Association for its own requirements.

As a result of the co-ordination of efforts of both the Co-operative and Industries Departments in improving the working and prospects of these Associations, the Hand-Loom Industry in the Province, as a whole, received a great fillip in that these Associations could secure the orders of Government for the supply of the following types of goods :—

COTTON SCHEME		Rs.
<i>Sholapur Association</i>		10,272
White Drills, 18,000 Yards ..	6,750	
Blue Stripped, 2,000 Yards ..	1,000	
Pugree Cloth, 1,562 pieces ..	2,522	
<i>Malegaon Association</i>		
18,000 Yards, White Drill ..	6,750	6,750
<i>Ahamadnagar Association</i>		
474 Yards, Cotton Drill ..	192	192
TOTAL		17,214

## WOOL SCHEME

	Rs.
Woollen yarns for jails 35,230 lbs. for jails.	32,068
Woollen Blankets for the Army	
Nos. 43,000 ..	2,96,500
	<hr/>
TOTAL ..	3,28,568
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The orders are distributed among the Associations at Ahmednagar and Hubli. The supply of the orders under the Cotton and Wool Scheme is in progress. The progress made by the 9 Industrial Co-operative Associations in their work for cotton hand weavers for the year 1940-41 could be seen in that the total working capital stood at Rs. 1,07,676 and the sales aggregated to Rs. 1,88,796.

In the course of the year 1940-41, a sales depot for the cottage and small scale industries had been established at Bombay by the Department of Industries. The depot sells products of cottage and small scale industries. Its largest single department is, of course that of hand woven fabrics which it stocks and sells on behalf of the Industrial Associations referred to above.

If a comparative view of the position of the Hand Weaving Industry in the Province as it stood in the year 1910 and in the year 1941 is taken, it will be found that the Co-operative Movement has brought about the following improvement in the industry as a whole in spite of serious difficulties mentioned above.

- (1) Nearly 75 per cent of the weavers are using improved tools and appliances.
- (2) The weavers or their organisations have been enabled to produce and sell such qualities of cloth, which were considered in the past, the sole monopoly of the mills or power looms,
- (3) The wool weavers have learnt the improved methods of preliminary operations, the use of fly shuttle looms, and the processes of finishing,
- (4) The coir spinners and weavers have organised themselves into a co-operative society in the year 1939-40 in the North Kanara District.
- (5) As a result of the continuous efforts, the leaders among the weavers are gradually coming round to volunteer to take

leading part in the institutions formed for the benefit of weavers shaking their lethargy.

- (6) The Co-operative Movement has served another useful purpose of awakening among the weavers a spirit of unity and sense of dissatisfaction with their present condition, which have reflected in the formation of associations or sanghs of weavers at the prominent centres in the Province to represent their grievances to Government and to get them registered in time.

It is hoped that the decadent industry would, in future, be set on its legs with the continuous help and sympathy from Government and disinterested attempts of the non-official public workers in the Province.

# WEAVERS' CO-OPERATIVE SOCIETIES IN UNITED PROVINCES

By

ISRARUN NABI,

*Assistant Registrar of Co-operative Societies, Allahabad.*

Before dealing with the working of weavers' co-operative societies, it might be interesting to note that in the early stages of the organisation of co-operative credit societies under Act X of 1904, a few weavers had joined one or two urban banks for the purpose of obtaining cheap credit to carry on their business.

**Benares Weavers' Co-operative Association.**—Benares, with a population of about one lakh of weavers, naturally took the lead in the matter of organising the silk weavers on co-operative lines. The first production and sale society in the province was registered as The Benares Silk Weavers' Co-operative Association in 1906. The objects of the Association were (1) to purchase and sell to the members, at wholesale rates, raw material for the manufacture of Kashi silk and of brocades and other finer qualities; (2) to make advances, free of interest, of raw material and cash to members; (3) to employ members as paid workmen for the Association (to manufacture Kashi silk especially); (4) to purchase from members manufactured articles for the Association; (5) to sell the same at a profit; and (6) to sell on behalf of members, at a commission of one anna in the rupee, cloth deposited with the Association. During the first 15 months ending with 30th June, 1907, the Association purchased raw materials to the value of Rs. 10,920 and sold Rs. 7,620 worth in cash and Rs. 3,300 worth on credit. It also purchased manufactured goods of the value of about Rs. 40,000 and sold off about Rs. 30,000 worth of goods at a profit. The Association earned a net profit of about Rs. 4,000. It leased suitable premises and appointed the sons of three most prominent weavers as salesmen receiving a commission on sales. Steps were also taken to introduce the goods of the Association direct to the European market but the goods supplied were rejected as unsuitable. The business of the Association was steadily increasing but two years later there was some hitch. Party factions and lack of harmony combined with want of sufficient capital to push on the business and the absence of a suitable agency for disposal of goods and advertisement resulted in deterioration. During 1909-10 the

Registrar arranged for deposits but the turnover was slow and sales diminished. The richer members monopolised the benefits and the poorer members were left in the cold. The Great War in 1914-15 dug the grave of the Association. Prices of silk and dyes were prohibitive, and the Association could not sell its goods. It worked at a loss for a few years, and was eventually liquidated. By 1923-24, the primary societies of weavers of Benares were also dead.

In Unao the Miangunj Co-operative Credit Society started in 1907 the business of purchasing raw material on wholesale rates from Cawnpore and selling the same to the weaver-members at cheaper rates than those offered by the local dealers. This provoked the dealers and they entered into competition. At least one useful result of this activity of the credit co-operative society was that weavers, both members and non-members gained in as much as the dealers brought down the prices of raw material to a reasonably low level.

**Tanda (Fyzabad) Stores and Weavers' Societies.**—In 1909-10 two co-operative yarn stores were organised, one for weavers of Tanda (Fyzabad) and the other for weavers of Sandila (Hardoi). A government grant of Rs. 3,000 was given to each of the two stores. The Tanda Store did not succeed for want of proper supervision and due to the opposition of the richer weavers, whose personal interests clashed. The store was, therefore, replaced by small credit societies and 12 Mohalla-war credit societies were formed. A year later, the number of mohalla-war credit societies of Tanda increased from 12 to 17, and they were affiliated to a central weavers' society. A feature of the working of these societies was that they advanced loans on the security of cloth to the extent of three-fourths of the price of pledged goods. The pieces of cloth were kept in the custody of the sarpanch and owners were allowed to take them to markets for sale. These societies, however, received a set back from the effects of the Great War in 1914-15, and a few of these were liquidated. The business of advancing loans upto 75 per cent of the value of cloth pledged, however, thrived later, and during 1937-38 the total advances in Tanda Stores were Rs. 1,30,000 of which Rs. 1,20,000 had been recovered from the sale of goods. The effects of dismantling the railway line recently are seriously felt and the industry is facing a crisis.

**Sandila Stores and Weaving Societies.**—The Sandila Stores, which was organised in 1909-10, was the first real distributive co-operative society in the province. In the first year of its working it did a business of over Rs. 18,000 and it became very popular. It had a loan department as well as a sale department. In 1910-11 sales went up to



Rs. 36,200 while in 1918-19 there was a record business of Rs. 1,45,370, a record which has not been beaten so far, by any of the stores in the United Provinces. The credit side of the store was, however, not faring well, and it was decided in 1919-20 to split it up into small mohallawar societies, with a central financing institution and a yarn store. Five small mohallawar societies were accordingly registered in 1920-21. In 1924-25 there was defalcation in accounts and the Sandila Store suffered a loss of over Rs. 19,000; and in 1927-28 the Weaver Central Bank had to be liquidated. In the following year 1928-29, however, a central industrialists' store was again started at Sandila, and a Government loan of Rs. 5,000 was secured. A weavers' co-operative factory was also started. This factory secured orders for the supply of 30,000 yards of jaconet cloth from the Bihar Government and 15,000 yards from the Government Press, Allahabad. In 1938-39 a further order for the supply of one lakh yards of jaconet cloth was received from Bihar Government. Although profits were nominal, the great thing was that the weavers were kept engaged during a period when there were marketing difficulties and undercutting. At the present moment the store is doing good business in the supply of newar for war purposes. Now we will deal with the organisations that sprung up after the enactment of Co-operative Societies Act II of 1912.

**Najibabad Blanket Weaving Society.**—The Blanket Weavers' Co-operative Society at Najibabad (Bijnor) was the first weavers' store registered under the new Act. It started work on a modest scale but received an impetus in 1915, when there was an unprecedented demand for blankets. The society did excellent business during the next one or two years, but this increased business almost proved to be the undoing of the society later on. When the demand fell and prices went down considerably, the industry received a setback. The business declined and the society suffered losses from year to year until 1936-37, when the Textile Inspector of Co-operative Societies was put in charge of the society and a milling plant was set up. The old stock was disposed of with some loss, and during 1937-38 some 1,500 blankets were milled and finished. Orders for the manufacture of tweed and livery cloth were secured from the Stores Purchase Department of the U. P. Government; and the Government Handloom Emporium also placed an order for shawls. The society was reorganised in 1938-39. The spinning section produced about 10,000 lbs. of woollen yarn and manufactured 1,600 blankets, 250 shawls and 1,000 yards of livery cloth. Sales amounted to over Rs. 12,000 and the society was able to reduce its accumulated losses. The present war has further helped the society to regain its position. A huge supply of blankets has been made

to the Department of War Supplies. During 1939-40, 2,822 blankets were manufactured and about 5,000 were milled and finished. Sales amounted to Rs. 18,600 and the society earned a profit of Rs. 5,369 thereby cutting the net losses to about half.

In 1919-20 an Industrial Inspector of Co-operative Societies was appointed to push on the organisation of societies of weavers and to train the members in new methods and designs. At that time there were in all 20 societies of weavers of cotton fabric, 20 of silk weavers and 2 of blanket weavers. Amongst the central stores there were the Sandila Store and the Tanda Store only. The Benares Weavers' Association was already dead and most of the weavers' societies, which were lifeless, had to be closed a few years later. Efforts were made to organise yarn stores at Mangahre (Saharanpur), Mau (Azamgarh), Gazi-pur, and stores for gold threads and silk at Benares.

Negotiations with the English whole sale co-operative societies were made with a view to establish direct relation with those societies. Negotiations with Bombay Mills for wholesale purchase of yarn were also undertaken. All these efforts, however, were not very fruitful for one reason or the other. The Government resolution on the Annual Report of Co-operative Societies for 1924-25 might give more or less an accurate idea of the position of weavers' societies generally at that time. The resolution ran: "Weavers' societies are generally a failure." Government was also not satisfied with the general progress of the movement as a whole, and a Committee presided over by Mr. Oakden was appointed to examine the position and make recommendations. Stress was laid on the organisation of production and sale societies for weavers instead of credit societies.

**Industrial Co-operative Stores, Agra.**—An industrial store was organised at Agra for the weavers and shoe-makers in 1927-28. In the same year, the Mason Industrial Federation at Barabanki was also registered. This institution also was mostly for the benefit of weavers and to a lesser extent for the leather workers. Difficulties in the disposal of goods were, however, experienced, and the stores were left to their own devices or to the initiative of any local worker or the sympathetic help of the District Officer to find a market. The late Mr. Neville, the then Collector of Agra, used his personal influence in securing a huge order from Overseas for the manufacture of durries worth about Rs. 50,000. The Durrie Weavers' Societies at Agra thus received a great impetus. Considerable difficulties in securing the necessary capital for working the stores and societies were also experienced, and the U. P. Government advanced a loan of Rs. 20,000. Of this,

Rs. 10,000 went to Agra and Rs. 5,000 each to Sandila and the newly organised Federation at Barabanki. .

In Agra, attempts were made to stock yarn on behalf of certain mills and sell the same on commission, but they were not attended with success for various reasons. Thereafter the Agra Store purchased one bale at a time from the local wholesale dealers and sold it on a small profit to its members. Due to unfavourable market conditions, however, the Agra Store suffered losses from year to year, and its position is causing anxiety at present. One of the chief causes is that the quality and prices of durries turned out by the weavers are very high, and with the growth of durrie and carpet weaving industry in other districts, the market for Agra durries has been very much curtailed.

**Mason Industrial Co-operative Federation, Ltd., Barabanki.**—The Mason Industrial Co-operative Federation at Barabanki, which was a contemporary of the Agra Industrial Stores, had also a very chequered career. For want of expert guidance and local initiative and due to lack of marketing arrangements, the Federation stagnated. The leather workers' societies, affiliated to it, had to be closed, and the Federation confined its activity only to four primary weavers' societies. The business, however, was insignificant. On the top of this, the Supervisor misappropriated some money of the Federation, and it suffered a loss. Thanks to the grant received from the Government of India for the benefit of handloom weavers, the position of the Federation was retrieved in 1935-36. The staff of the Federation was paid out of the Government of India grant, and a trained Supervisor was put in charge of the work. An order for the supply of chowkidar dhotis was secured from the Stores Purchase Department, and this further helped the Federation in rallying round the disgruntled members of at least two out of the four affiliated societies. For the first time in its eight years' existence, the Federation earned a profit on the year's working which was, however, hardly sufficient to wipe off one-third of the accumulated losses of the previous years. The net loss on 30th June 1937 was a little over Rs. 1,600. During 1937-38 the whole constitution and working was reorganised. The bylaws were recast. A strong and active directorate was elected. A separate shop was established, besides a dye-house and a yarn and cloth stores. The whole outlook had changed. During 1937-38 sales amounted to Rs. 29,732. In the following year they went up to Rs. 50,000 and in 1939-40 they were over Rs. 64,000. The exact figures for the current year are not available, but it can safely be said that it will be between Rs. 80,000 and Rs. 1,00,000. During 1937-38 the Federation made a net profit of Rs. 3,134 after meeting the losses of the previous

year, and distributed dividend for the first time in its ten years' life at 10 percent. The number of shareholders increased, and the number of affiliated societies also rose to seven, including one for carpet weavers of Fatehpur. The Federation has now a Reserve Fund of Rs. 6,000, and about Rs. 3,000 in other funds like Bad Debt and Depreciation Funds. It has, so far enhanced its reputation that it faces no difficulty at present in securing deposits. Another feature of the working of this institution is that it has recently taken up Arhat business and works as an intermediary between the wholesale purchasers and the weavers. So far it has done business in this line extending over several thousands of rupees. Although it still receives Government help for the staff, it has wisely decided to stand on its own legs and is meeting part of the establishment expenses from its own funds. As a matter of fact, if the Government aid were withdrawn, it would still be able to carry on. Of late, the Federation has taken up supplies of Newar in connection with war requirements and is doing quite a good business. The Federation has also got a co-operative factory affiliated to it. This factory is a training centre and is also utilised in turning out goods which require special skill and technical supervision.

**Fatehpur Qalin-makers Society, Barabanki.**—The Fatehpur Tahsil Qalin-makers Society, although a primary society and an infant institution, deserves special mention. It was organised in the teeth of opposition from the local traders in 1938-39. In the very first year of its organisation it did very good business. About a thousand qalins (mostly bed size) were manufactured, and 90 percent sold off directly by the society or through the Federation at Barabanki. The society made a profit of over Rs. 600, and has already succeeded in beating down most of the local dealers. Modern designs have been introduced, and wholesale business is done. The society has a great future and is quite popular. The secret of the success lies in how it was able to meet the opposition of the local dealers in the early stages of the organisation of the society. Before the organisation of the society the dealers used to cut down the wages of weavers on one pretext or the other. The wages also were low. When they learnt that the weavers were joining the co-operative society, they not only offered to increase the wages, but also paid them wages in advance. The society, however, went one step further and beat the local dealers at their game. It notified to the members that the society would pay the market wages, and in addition to that as soon as the qalin manufactured by a member was sold off, the member concerned would get additional wages at the rate of

six pies per rupee of the price fetched by the qalin. This was quite impossible for the dealers to do. The society succeeded in this way in inducing the weavers to turn out goods of the very best quality so that they may have a ready market to enable them to get the additional wages quickly.

**Position of Weavers' Societies in the Province at present.**—The latest information that is available at present goes to show that there are 10 central co-operative stores for weavers, one each at Basti, Agra, Barabanki, Tanda, Gorakhpur, Etawah, Mau (Azamgarh), Najibabad, Moradabad and Sandila. Besides these, there are a number of C class stores for primary weavers' societies. Such stores are financed by the Industries Department and the marketing side is looked after by the Government Handloom Emporium. The total number of primary societies of weavers is 50, with a membership of about 3,000. Twelve woollen societies in Almora and three in Nainital are of recent origin and promise well.

**Summary and Suggestions.**—It would appear from this note that almost every line of business was tried in our co-operative societies of weavers. From purely credit societies of unlimited liability, production and sale and later on purchase and sale societies, and societies which combined credit with purchase and sale were all tried. Many of them promised very well and in fact did quite a good business, but later on deteriorated and had to be closed for one reason or the other. Others which tided over their difficulties were reorganised and given a new lease of life and prospered. The following are the main causes of the past failure—and it may be that the same causes may account for future failure: (1) lack of sufficient capital; and (2) lack of marketing facilities.

The magnitude of the task that lies before the co-operators of this Province can be judged from the following facts and figures. The number of actual weavers (excluding their dependents) in the Province is over 7½ lacs. The number of looms engaged is over 2 lacs. The annual consumption of cotton and art silk yarn is 54 million lbs., that of silk, 1 million lbs., and that of wool about 12 million lbs. Our co-operative societies benefit hardly 3,000 weavers all told. This slow progress is mainly due to the above two causes. Government loans that are available are neither large nor lenient in terms. Banks find it more convenient and less risky to invest in agricultural credit societies, rather than in weavers' societies and stores. The capitalists cannot easily be persuaded to invest money in business. Where then is the capital to come from to help the stores or societies to increase the

business? The U.P. Industrial Financing Corporation which has been recently started and has a Government guarantee behind it, might well take up the business.

Another equally serious, if not a more serious problem, is that of marketing. The U.P. Government Handloom Emporium does, as a matter of fact act as an agency for the disposal of goods, but its own business is so far limited only to a fraction of the weavers' population. It serves as a central institution for all the weavers' stores that have been organised by the Co-operative or the Industries Department. Without in any way belittling its efforts and the services it is rendering, it might be suggested that it would be advantageous if link stores were organised in each town and city and each link store required to stock the goods of all the other stores in the Province. Accounts might be settled by adjustment every month. The great advantage would be that customers in every city or town would be able to get in their own town the products of all the other places on advantageous terms. This will further help various stores in the disposal of goods without appreciably adding to the cost of management and supervision.

If the system were extended to other provinces and inter-provincial link stores were organised the problem of marketing would be solved to a considerable extent. The matter requires close attention of all the co-operators throughout India and may be taken up by the Registrars of Co-operative Societies and the Directors of Industries of all the Provinces at a joint conference. Once these problems are solved the success of weavers' societies, as also of other artisan societies, will be assured.

## SOCIETIES FOR WEAVERS IN BIHAR

(Contributed)

At the Fifth Industries Conference held at Simla in July 1933, the Government of India announced their decision to give an annual grant of Rs. 5 lacs to various Provinces for a period of 5 years from November 1934 and invited suitable schemes from the Provincial Governments for the development of co-operative buying and selling of hand-woven goods on behalf of the handloom weavers and for better organisation and improvement of handloom industry generally. A scheme was, therefore, drawn up by the Local Government to utilise the Bihar and Orissa share of the above grant and the same received the approval of the Government of India in February, 1935. Necessary staff was appointed immediately and the manufacture and marketing of hand-woven cloth was started from the 1st April, 1935. The handloom marketing scheme of Bihar is not based entirely on co-operative lines but it has for its object the education of weavers in co-operation and business principles and the gradual training of them to shoulder and discharge efficiently the onerous duties pertaining to co-operative finance, buying, manufacturing and marketing. The Bihar Cottage Industries, therefore, made a start with a few "production societies of weavers." The financing and supervision of these societies and the organisation of new ones were entrusted to the Co-operative Department and a part of the grant made by the Government of India was placed at the disposal of the Registrar of Co-operative Societies. At the outset one organiser and 3 weaving Supervisors for 3 societies were appointed. The number of the latter was increased to 5 in 1936 and 7 in 1937-38. The working of 3 of these societies organised in Orissa was taken over by that Province in 1938 and in the same year one society in the Darbhanga District was closed on account of unsatisfactory working. These societies have been working mainly as manufacturing agents to the Department of Industries which has built up a market in India and overseas but the fate of these societies has now become uncertain due to the irregular and uncertain marketing situation caused by the War. There are 7 such societies at present. The following statement showing the working of weavers' co-operative societies may be of interest :—

Number of societies	..	7
Number of members	..	511
		Rs.
Share Capital paid up	..	12,000
Working Capital	..	34,000
Amount utilised in actual turn over	..	1,16,000
Value of yarn purchased	..	29,000
Value of goods sold to Industries Department	..	43,000
Value of goods sold through societies	..	8,000
Earning of members	..	12,000
Reserve and other funds	..	11,000
Profit	..	2,000

The scheme financed from the grant-in-aid from the Government of India aims to obtain for the societies steady supply of orders from a market where their product can be profitably sold. The staff employed under the scheme train weavers to manufacture goods for which there is a demand and to turn them out exactly according to pattern and specification made by the Department of Industries.

Besides, there are 28 weavers' societies with unlimited liability and a total membership of 445. The working capital of these societies amounts to Rs. 37,000 and the paid up share capital is Rs. 3,000. The total of reserve and other funds amounts to Rs. 8,000. The total amount as deposit from members and non-members at the close of 1939 stood at Rs. 2,000 and the societies' borrowings from Central Banks and the Provincial Bank stood at Rs. 23,000. No loan was advanced by the societies to their members during 1939. A sum of Rs. 800 was realised from members as repayment of loans. The total outstanding as loan against the members of the societies stood at Rs. 21,000. The borrowing rates of the societies range between 9% per cent to 12½ per cent and the lending rates range between 12½ per cent to 15½ per cent. The combined cost of management was Rs. 41.



## WEAVERS' SOCIETIES IN SIND

By

Y. A. MEMON, Esq., I.C.S.,  
*Registrar, Co-operative Societies, Sind*

On 30th June 1940, there were in all 8 weavers' societies in Sind situated in the different Districts of the Province as under :—

<i>District.</i>	<i>No. of Societies.</i>
Hyderabad	.. 3
Larkhana	.. 1
Sukkur	.. 2
Karachi	.. 1
Thar Parkar	.. 1
	—
TOTAL	.. 8
	—

Their membership on the above date was 159, and working capital was Rs. 21,547 as under :—

	Rs.
Share and Members' Compulsory Deposits	.. 4,383
Non-members' Deposits	.. 88
Bank Loan	.. 12,653
Reserve Fund	.. 4,423
	—
TOTAL	.. 21,547
	—

The existing 8 weavers' societies, however, are not weavers' societies in the true sense of the term. They do not arrange for the supply of the yarn, silk fibre and other requirements of weavers nor do they arrange for co-operative disposal of finished goods of members. Their only function so far has been to give cash loans to their members on short term basis ranging between 6 to 12 months, and recover the same when due. In fact these societies could better be termed as credit societies for weavers rather than "Weavers' Societies."

The reasons why the weavers' societies in Sind are not able to thrive or why their members cannot combine into a body of joint producers, in the real sense, are :—

(i) General illiteracy of the people devoted to the weaving industry, while successful management of a producers' society presupposes certain amount of business ability combined with professional skill.

(ii) Heavy fluctuations in price of yarn and raw silk which makes it impossible for the society to effect wholesale purchase of raw material and retail the same to members. If meanwhile the price of yarn or raw silk goes down the society stands the risk of sustaining financial loss, which, due to its limited funds, it can ill afford to sustain.

(iii) As regards sale of finished goods of members on co-operative basis by opening sale depots, etc., the weavers generally are not anxious to have such an arrangement. They carry their goods to central places or market towns and try to get the best possible rates there. Experience has shown that the weavers generally are not losers by such direct sales. Weavers societies in Sind already exist in good market centres or in close proximity thereto and hence the weavers find little difficulty and undergo little expense in going over to the market centres for disposal of their finished goods.

(iv) In view of the modern large scale machine production and large varieties of patterns and qualities available in the market, at comparatively much cheaper rates, the old style indigenous articles have very little demand in the market. There is therefore little encouragement to the weavers to make *bona-fide* effort to promote their industry with the result that day by day the industry has been decaying and a good many of the weavers have abandoned their art and profession and have taken actually to manual labour in the big cities.

The Department of Industries, it is understood, is taking keen interest in reviving the decaying industry by sending round their experts in dyeing, weaving and textile designs to teach the weavers modern methods of weaving by fly shuttle looms, modern designs and modern art of dyeing. They are also making arrangements to get the weavers' raw material of the best quality for weaving purposes and also for disposal of their finished goods. With this aim in view Co-operative Industrial Associations are being formed in the Province through whose agency the work could systematically be carried on. One such Association has been started at Hyderabad which has been working successfully. It was registered in the year 1936. Another similar Association has just been started at Sukkur. It is still engaged in

collecting requisite capital and working out preliminaries. A note prepared by the Industries Department on the working of the Hyderabad Industrial Association is appended which will show in detail the working of that Association.

### THE HYDERABAD DISTRICT INDUSTRIAL ASSOCIATION

The Government of India sanctioned the scheme of development of Handloom Industry in India in 1935 at the recommendations of the Seventh Industries' Conference held on 28th and 29th October 1935. Sind, then annexed to Bombay, got a share of Rs. 8,400 annually for a period of five years. As Sind was being constituted as a separate Province from 1st April 1936, the scheme could not be brought into force immediately. The idea underlying the scheme was to form an Association of Weavers under the patronage of weaving class. An Association called the Hyderabad District Co-operative Industrial Association, Limited, was formed and registered on 10th March 1936. The aims and objects of the Association were:—(1) to supply improved appliances on hire-purchase system or otherwise; (2) to supply raw materials at reasonable rate; (3) to advise weavers and others in regard to the products of improved and easily marketable patterns and designs; (4) to undertake preparatory and finishing process and dyeing and printing in connection with the handloom industry; and (5) to accept on consignment account against partial payment, handloom products and sell the same.

The scheme has been generally controlled by a Joint Board consisting of the Director of Industries and the Registrar of Co-operative Societies, Sind. The Director of Industries is the Administrative Officer who convenes the meetings of the Joint Board. An Advisory Committee, which meets once in three months has been appointed for reviewing the working of the scheme as a whole. The Committee comprises of (1) Director of Industries (*Chairman*); (2) Assistant Registrar of Co-operative Societies, Sind; (3) Managing Director of the Sind Provincial Co-operative Bank, Ltd., Karachi; and (4) Two non-officials actively engaged in piece goods trade, preferably, fabric produced on hand looms, nominated by Government. The Textile Designer works as Secretary of the Committee.

The Association has been working steadily under the guidance of the Director of Industries.

There are over 1300—1500 families of weavers, both Hindus and Muhamadans in the Hyderabad District and the chief centres of their work are Tando Mohmed Khan, Hala, Nizamani, Matiari, Nasarpur

and Hyderabad. The weavers previously used to work on throw shuttle looms but now these have been gradually replaced by fly shuttle looms. Raw material such as yarn, white and dyed, were distributed among the weavers. Though no raw material could be arranged through the co-operative societies, yarn worth Rs. 1,098-14-2 was consumed by the Association till June 1940. The weavers being quite illiterate and full of superstitious beliefs were reluctant to accept and adopt anything new in their professions. Being extremely conservative they were slow in adopting any modern and improved appliances in their art. But they were brought round by slow and persuasive methods, and are now taking advantage of the Association in large numbers. There were in the beginning only 12 members of the Association from the weaving class. The number has now increased to 37. About 60 persons are working for the Association although they have not yet joined it as members.

The Association stocks yarn of almost all counts used by the Weavers, fly shuttle looms and implements of all kinds for the use of weavers. The Association was advanced an amount of Rs. 7,000 and Rs. 5,000 from the Government of India grant for bad debts and depreciation for cotton and woollen schemes to enable it to raise loans from the co-operative bank for its working capital.

The Association raised a share capital of Rs. 1,310. A Textile Designer was appointed to teach the weavers new patterns and designs obtained from other sister associations and the local merchants. The weavers who before this manufactured only towels and susi, were taught to manufacture hand woven fabrics such as shirtings, coating, drill, duck cloth etc. To provide an avenue for the marketing of goods prepared by weavers a Sales Depot was opened in May 1938. The Government Emporium at Karachi also provides facilities for selling the goods of the Association. The stocks and sales of the Association are as follows :—

	Rs.	A.	P.
1938-39.			
Stock at the beginning of the year	..	1,425	15 6
Total Sales	..	1,850	15 0
Total Profits	..	257	6 2
1939-40			
Stock at the beginning of the year	..	1,304	1 0
Total sales		3,280	14 9
Net profit	..	469	1 11

1st April 1940 to 31st March 1941.

Goods produced by the Association	..	2,080	2	3
Goods produced by the Association sold	..	1,785	2	9
Total Sales (including goods purchased and kept on consignment)	..	4,000	0	9

In order to create a healthy spirit of rivalry amongst the weavers a handloom weaving competition was organised by the Association in the last week of March 1941. Twenty weavers from different weaving centres, viz., Karachi, Hyderabad, Hala, Nasarpur, Tando Md. Khan and Nizamani participated in the competition. Rs. 165 were awarded as prizes to weavers.

The Association has raised a loan of Rs. 2,000 from the Sind Provincial Co-operative Bank and is trying to increase its share capital. It is still in its infancy and it cannot carry on without the subsidy of the Government. The Association is trying its utmost to train weavers in the modern weaving appliances. Many weavers have adopted modern appliances, in preference to old ones and are becoming conscious of the advantages of the improved appliances over the old ones.

## HAND LOOM INDUSTRY IN MYSORE

By

S. SRINIVAS, *Bangalore*

To Mysore goes the credit of starting large scale industries without sacrificing the smaller ones. In fact the attention of the Government is so equally divided between the two that it is rather hard to say in which type of industry the Government is more interested. The following note on one particular industry bears out what we have said.

Handloom weaving is an important cottage industry affording occupation to about 35,000 weavers and their families in the State. As a result of demonstration work carried on and financial assistance rendered by the Department, a large number of Handloom weavers in the State who were formerly using throw-shuttle and other crude type of looms have been induced to adopt improved type of looms such as fly-shuttle looms with tappets, dobbies, etc. Out of about, 35,000 handlooms working in the State at present, as many as 27,500 are fly-shuttle looms while only the remaining 7,500 are the throw-shuttle type. The increased use of fly-shuttle looms has helped the weavers to enhance their production and economic costs to a considerable extent.

During the last ten or twelve years, the Department has spent about Rs. 2 lakhs on demonstration work and introduced improved weaving appliances of the value of about Rs. 25,000. Necessary assistance is being rendered by the Demonstration Parties to the weavers in fitting up these appliances, repairing them and supplying spare parts and accessories from the stock at cost price. These parties also keep themselves in touch with the changes in market conditions and help the weavers to improve their designs or produce such designs as are easily marketable.

The most important of the measures undertaken by the Department with a view to ameliorating the conditions of the handloom weavers relate to (1) the abolition of Octroi Duty on the handloom products and (2) the opening of yarn depots for the supply of yarn to weavers at the ruling market rates. On a recommendation made by the Department of Industries and Commerce, Government have been pleased to exempt from payment of Octroi all the hand-woven fabrics produced in the State

when they are imported into the municipal limits, subject to their being certified by the Department. The work regarding the certification of such products is attended to by the Demonstration Parties. During 1939-40, the total value of handloom products exempted from Octroi was Rs. 1,21,179.

The opening of yarn depots in 20 important weaving centres, noted below, in the State was sanctioned by the Government during the year 1939-40 on a recommendation made by the Department on the need for supplying yarn of the required quality to weavers at favourable rates and saving them from the middleman's profits.

Santhesaragur,	Ramasamudra,	Kadakothanahalli,
Melkote,	Hosaholalu,	Dodballapur,
Kankanhalli,	Magadi,	Kolar,
Jangamakote,	Yeldur,	Tumkur,
Mavinkere,	Chicknaikanahalli	Santhigrama,
Holenarispur,	Shivani,	Surahonne.
Chittaldurg,	Horakere Devarapura	

All the 20 depots have now been working successfully and in response to the requisitions received from weavers of other areas, it is proposed to open 20 more such depots in the near future.

The manufacture and supply of handmade blankets which the Department has undertaken recently has greatly helped the handloom weavers of Chicknaikanahalli, Hunsur, and other wool-weaving areas to take up this work with advantage to themselves. By the end of March 1941, 1,689 blankets of the value of Rs. 11,717 were got manufactured by the Department and supplied to the Indian Stores Department on indent. It was proposed to supply 18,000 more blankets before the end of September 1941.

The question of marketing of handloom products by starting a suitable marketing organisation has also been under the active consideration of the Department. On a recommendation made by them, Government have recently constituted a Committee to go into this question.

The Government are not unaware of the repercussions that the industry is passing through on account of the war. The meteoric rise in the price of yarn and dye-stuffs have almost paralysed the activities of the industry. Steps are being taken to investigate the causes for such sudden rise in the price of yarn, and the Government will, no doubt, succeed in stabilising the price of yarn. The Fact Finding Committee visited Mysore twice and were much impressed with the work the Government were doing in the cause of the handloom weavers.

I am indebted to the Department of Industries and Commerce in Mysore for the facts and figures kindly furnished by them.

## WEAVERS' SOCIETIES IN HYDERABAD STATE

By

S. FAZALULLAH, H.C.S.,

*Registrar of Co-operative Societies,*

*H. E. H. The Nizam's Dominions*

The number of weavers' societies at the end of the co-operative year 1939-40 was 60, with a membership of 1,345. Their working capital was Rs. 1,67,003 out of which the owned capital amounted to Rs. 75,986. Loans due by members amounted to Rs. 1,07,954 as principal and Rs. 74,245 as interest while the societies owed Rs. 56,959 as principal and Rs. 29,286 as interest to Central Banks and Rs. 25,763 to Government.

Twenty-four societies of this class are under liquidation and even those that are supposed to be working are in a moribund state. Most of the loans which are now outstanding with the members were advanced to them at the time the societies were established. There were some societies which had also arranged for the purchase from the weavers of manufactured cloth and of its sale. The experiment proved a failure and the societies suffered heavy losses. All these societies are as a matter of fact credit societies with unlimited liability. During the last ten years attention has been chiefly given to the collection of interest and principal and the execution of arbitration awards. The fact of the matter is that a large number of these societies are actually in the process of liquidation though they have not been actually declared as such.

The competition of mill-made cloth has made the position of weavers still worse. The Department of Industry has introduced new machinery, and demonstration parties go round the villages to teach weavers improved methods of production. New methods of dyeing are also being introduced. It is not to be expected that the new process will spread more rapidly. The weavers are generally indebted to the local sahukar who supplies them the yarn on credit and takes back the cloth at an unfair price. A large number of weavers have thus for a long time been reduced to the status of wage-earners. If a co-operative society is formed the weavers borrow money from it to pay-off their other debts or spend it otherwise and then



again resort to borrowing from sahu-kars. No society can, therefore, function successfully unless all operations from the supply of raw material to the sale of the finished product are controlled by it.

Well-to-do weavers or sahu-kars have already adopted the factory system of production, where the weavers are employed on wages. The employer provides improved hand-looms, raw material and other necessary equipment, thus reducing the weavers to the position of wage-earners. Experience has shown that it is not possible to improve the condition of weavers through the agency of co-operative credit societies.

One of the ways now proposed to be followed in this respect is to enlist weavers as members of urban banks which have been or are being established at different weaving centres. These urban banks have been advised to work in close co-operation with the Department of Commerce and Industries which will run a depot for the supply of raw materials (at competitive prices) to weavers who are their members. In order to guard against the misapplication of the funds advanced, it has been considered desirable that raw material should be supplied instead of cash, the bank being responsible to the Commerce Department for the price. The Department has been requested to undertake the supply of improved implements and new popular designs.

As regards the sale of the finished products, it is proposed to establish at one or two selected centres local sales depots which should be arranged by the Commerce and Industries Department. Further, it has been recommended that weaving factories may be started on a small scale on the basis of co-partnership at important centres. The weavers will get employment in these factories. They will also be persuaded to hold some shares in the factories with the prospect of becoming owners of the factories in due course.

# HAND-LOOM WEAVING INDUSTRY IN TRAVANCORE

By

M. V. NARAYANA PILLAI, B.A.,

*Co-operative Department, Travancore State.*

Handloom Weaving Industry in Travancore was in a flourishing condition, and expert professional weavers in the State inhabiting the southern parts of Travancore who are very skilled experts in the craft of weaving have been carrying on this industry for generations past. During the last decade a series of adverse causes affected violently this great village industry and at present it is in a very unsatisfactory state. In order to organise together the weavers and to nurse the weaving industry back to life, a central organisation was felt to be very necessary, and hence a Central Weavers' Co-operative Society was registered about 10 years back. This Society was not started for the past several years owing to lack of enthusiasm on the part of the promoters and others. In the year 1940, this Central Weavers' Society was started on work by the initiative and enterprise of the Srimulam Shashtiabdapurthi Memorial Institute in Trivandrum. This Institute had itself been keenly interesting in handloom weaving and now the Central Weavers' Co-operative Society and it has now on its rolls about 150 members, individual weavers and societies, and a total working capital of about Rs. 5,000, this progress being the result of one year's working. Government have placed orders for the supply of textile goods required by the different departments such as the Excise, Military, Hospitals etc. with the Society to the value of more than Rs. 12,000. The Society has been given a subsidy of Rs. 2,500 and also a motor lorry for easy transportation of goods. A special feature of the Society is that it has secured the services of an American trained expert in dyeing, printing and colour. Under his supervision new and attractive patterns, designs and colour have been introduced. These are becoming very popular. The "Institute Quality" cloth, shawls, towels, chintz, window and door curtains etc. manufactured by weavers under the direction of the Society are becoming increasingly popular. During the year 1940 the Society has turned out business to the total extent of nearly Rs. 47,000 under purchases and sales. The Society has also introduced as a side business the manufacture of tapioca starch on a cottage industrial basis, thereby supplying a portion of the starch requirements of the Indian mills outside the State. The future of this Central Weavers' Society promises to be very bright, and in its hands the handloom weaving industry in Travancore is certain to receive a great impetus and incentive.

# DEBT CONCILIATION ACT AND CO-OPERATIVE CREDIT IN INDORE STATE

By

W. T. KARAMBELKAR,

*Secretary, Indore Premier Co-operative Bank, Ltd.*

The Indore Debt Conciliation Act was passed in the year 1939. It is mostly on the lines of the Central Provinces and Berar Debt Conciliation Act. The Central Provinces has led all other British Provinces and Indian States in the matter of Debt Conciliation legislation and the other Provinces and States have, according to their local needs, adopted with certain modifications, the main structure of this benevolent legislation. An attempt is made in this paper to show, on theoretical consideration, how the provisions of the Debt Conciliation Act would affect the business of co-operative societies and Central Banks especially in respect of fresh advances to their members for current agricultural operations and necessary domestic needs. As certain sections of the Indore Debt Conciliation Act (VI of 1939) and the Indore Co-operative Societies Act (V of 1914) and Rules are referred in the body of this article, it will not be out of place to reproduce those sections of the Acts and Rules in order that the reader may be acquainted with the specific provisions, and these are appended to this article.

The substantive provisions of the Debt Conciliation Act make no distinction between a Co-operative Society and the individual creditor. The definition (d) of "creditor" includes a co-operative society while by definition (e) of "Debt" "anything recoverable as an arrear of land revenue" is excluded. Now as per Rule 20 of Co-operative Rules, "all sums recoverable under the decision of the Registrar, shall be recovered in the same manner as arrears of land revenue". Considering both these provisions under the different Acts it is obvious that "sums recoverable under the decision of the Registrar" are excluded from the operation of the Debt Conciliation Act. These awards are obtained against members of societies when they are defaulters. Though these awarded dues do not come under the provisions of the Debt Conciliation Act, yet the dues for which no awards are obtained would fall under it. Therefore, this provision along with that made in section 22 (3), which lays down that recovery of advances made subsequent to the agreement under section 14 will be stayed over until the debts under the agreement have

ceased to exist, appears to come in the way of fresh financing which the banks and the societies have to make for current agricultural needs of the year. If recovery of these dues or their overdues are stayed over till the debts under the agreement ceased to exist, the business of financing will have to be completely stopped. We hope that this could not have been the intention of the Government in enacting this legislation. Therefore elucidation on this point, by clearly exempting fresh financing made for agricultural operations and domestic expenses has to be obtained from the authorities.

Then section 14 (1) provides that "if creditors to whom not less than forty per cent of the total amount is owing come to an amicable settlement with the debtor, such settlement shall forthwith be reduced to writing." The proviso of this section says that "When a co-operative society is one of such creditors, no settlement in so far as it affects the debts owing to such society shall be valid without the previous approval in writing of the Registrar, Co-operative Societies." Our reading of the section and its proviso makes us to think that the Registrar, Co-operative Societies, can have jurisdiction to approve the settlement when it is arrived at by the parties. But when there is no such settlement at all between the society-creditor and the debtors, the Registrar has no jurisdiction in the matter. Such refusals for settlement would be governed by section 22 which provides that when there is no settlement, a certificate might be issued in respect of such debts, the recovery of which would be stayed over till the debts under the agreement are recovered. So, when a co-operative society refuses to come to an agreement with its debtor (this would invariably be the case when the outstandings would be of fresh financing where no conciliation can be agreed upon), such refusals would not be sent to the Registrar, Co-operative Societies, and the question of his previous approval would not arise. Section 22 will therefore be applicable and such fresh advances would not be recoverable for years, which consequently would enjoin the societies to suspend fresh financing. The safeguard regarding the Registrar's previous approval is provided only where there is a settlement between the society-creditor and its debtor and no where else in other provisions of the Act. This is the second difficulty in respect of the fresh advances that we have to make for current agricultural needs. As they are not protected, the societies and the banks would not be willing to take risks in making them.

Section 15 provides that the existing mortgage lien or charge in respect of debts under the agreement made under section 14 would subsist to the extent of the amount settled to be payable to the respective creditors. Thus, on account of the statutory first charge after the Government

dues that is provided by the Co-operative Societies Act, section 19, when the society-creditor and the Registrar approve the settlement under section 14, that settled debt would also have a first charge in respect of other settled debts. So far the provision does not affect us adversely but it does affect us adversely where for debts which the society refuses to settle, this first charge would be of no avail, as under section 22 (3) and (28) the recovery would be postponed over the settled debts. It is, therefore, necessary that the Government should clarify the position of fresh financing by co-operative societies that is necessary for conducting the normal credit business of the societies and the banks.

The preamble to the Act says that the object of the Act is "to relieve agriculturists from indebtedness by amicable settlement." By the word "indebtedness" we think the Government and the legislature mean old and heavy overdues; such overdues can be conciliated by agreement between the parties or by act of law. But there cannot be conciliation of advances which are new and are made for necessary requirements for running the agricultural industry. It cannot be the intention of the Government that the sources of the agriculturist for obtaining fresh finance for running his industry should not remain available to him.

It is, therefore, obvious that this object will have to be made more clear by amending the Act in such a manner that "indebtedness" and "debt" should mean "old and heavy overdues" and exempting the current advances made for agricultural operations and necessary domestic needs.

Section 22 (2) provides that when the creditor sues in a civil court for recovery of a debt certified under sub-clause (1) the court shall disallow the costs of the suit and interest and, sub-section (3) provides that after the registration of an agreement, if any creditor sues for the recovery of a debt in respect of which certificate has been granted under sub-section (i), the decree passed in such suit shall not be executed until all amounts under the agreement ceased to exist.

Now, with respect to the co-operative societies, the reading of this section raises some doubts; the societies are governed by a special enactment in such respects. The disputes between the co-operative societies and their members are referred for decision to the Registrar, and after making enquiries he issues an award which is executable as a decree of the civil court when sent to it for execution or when sent to the Amin by the Registrar. All sums recoverable under the decision shall be recovered in the same manner as arrears of land revenue. So the question is whether the words "Civil Court" in sections 22 and 23 of the Debt Conciliation Act include the Registrar, Co-operative Socie-

ties. If they so include, then those sections are applicable to the debts of the co-operative societies. Further by the same analogy, the words "suit" and "decree" would mean to include "dispute" and "decision" or "award" under the Co-operative Societies Act. But a contrary view is put forward. The High Court of Bombay has in many cases held that the arbitrator is not a court of law. Then reference to arbitration cannot be treated as suits. In A.I.R. 1936 Bombay 396, it is stated: "it seems to be perfectly clear that the award of the arbitrator under section 54 of Bombay Co-operative Societies Act is not a decree of the civil court." From the foregoing, it will be noticed that sections 22 and 23 of the Debt Conciliation Act cannot be construed as to bring "the Registrar" or "the Arbitrator," "the dispute" and "the Award" within the meaning of the words "civil court," "suit" and "decree" respectively. The effect of this reasoning will be that in respect of debts of co-operative societies that are not settled under section 14 (2), the sub-sections (2) and (3) of section 22 and the sections 23 and 28 are not applicable. It therefore follows that for debts which the societies have refused to conciliate and for debts which the societies have advanced after the settlement, disputes can be filed with the Registrar and awards obtained, which can be enforced against the property of the debtor.

Then again, section 19 of the Co-operative Societies Act gives a first charge (after the Government dues) to the outstandings of the co-operative society. In that way, the debt of the society is a secured debt and the society is a secured creditor. If, therefore, such a society refuses to agree to a conciliation, section 22 (1) will be applicable to it in respect of the certificate that is provided thereby. But, as pointed out above, sub-section 3 will not be applicable. The position would, therefore, be that a dispute can be filed for such a debt with the Registrar, Co-operative Societies and the award obtained will be executable. This position, therefore, defeats the purposes of certification of the co-operative societies' debts under section 22 (1).

Under section 14 (1) of the Debt Conciliation Act, the whole property of a debtor is held as security against instalments to be paid to creditors whose debts are conciliated by the Board. That property cannot be attached or sold for the recovery of debts which are not settled or which have been advanced anew. This provision is inconsistent with that made under section 19 of the Co-operative Societies Act, which gives to the outstandings of the co-operative society a first charge over all the property, both moveable and immoveable, of the members. It seems doubtful whether the Act, by granting a privilege to the individual creditors who would accept conciliation through the Board, of ensuring the recoveries of the settled instalments by securing the property of the

debtors, has simultaneously taken away the privilege from the co-operative societies, in cases where they may refuse to agree to a settlement.

In the foregoing paragraphs, an attempt is made to draw attention to possible conflicts and inconsistencies that are likely to arise between the provisions of the Debt Conciliation Act and the Co-operative Societies Act. The co-operative societies are organised and run under a special enactment—the Co-operative Societies Act—which gives them certain rights and privileges, and at the same time enjoins certain obligations on them. The provision of the first charge for their dues (after the Government dues) is one of the fundamental privileges that these societies enjoy under this Act. Then any dispute between the society and the member is referred for summary disposal to the Registrar, Co-operative Societies, whose decision is final and is executable as a decree of the civil court or the sum awarded is recoverable as arrears of land revenue. The business of co-operative societies is governed by certain rules and by-laws that are sanctioned by the Government and the Registrar, Co-operative Societies respectively. These co-operative societies are not profiteering concerns. They are run for the economic betterment of their members who are persons of limited means. In credit societies, the rates of interest on their lendings are controlled by the Registrar, in according his sanction to the by-laws. The audit of the accounts of the societies is one of the main statutory responsibilities of the Registrar, Co-operative Societies. From the foregoing it will be seen that the business of co-operative societies is fully controlled by the Government under legal provisions. There cannot be any charges levelled against these societies regarding falsity in accounts or charging of usurious interest. At the same time it can be admitted that due to economic and natural causes over which neither the societies nor their members had any control, e.g. failure of crops and economic depression, the advances made at the initial stages of the movement have mostly been frozen and have become old and heavy overdues. The institutions and the workers are alive to this condition which is clogging the advance, on right lines, of the Co-operative Movement in the State and the institutions have been doing their best, within their resources, to scale down these old and heavy overdues, and to check inflations, remissions are given annually since past so many years. The Indore Premier Co-operative Bank has placed before the Government such a scheme for which the Government's monetary help is absolutely necessary. If we look close into the position of the movement, it will be noticed that loans by societies have been advanced out of borrowed amounts from the Central Banks which in their turn have borrowed from depositors. Thus any scheme for scaling down of members' dues should not affect the ultimate creditors of the movement viz., the deposi-

tors, as otherwise the credit of the Central Banks and the movement would be rudely shaken which it will not be possible to re-establish. So, any such scheme should go in for scaling down those dues only to the extent of the reserves of the societies or the central banks concerned. We doubt whether in effecting settlement on the applications of individual members in the Debt Conciliation Boards, such a comprehensive attitude towards the credit movement as a whole would be practicable. As there are fundamental differences in the business of lending by the individual *Sahukars* or their firms and by the co-operative societies and Central Banks, both these types of lending agencies should not be linked together in the scheme of conciliation under the Debt Conciliation Act. We feel that it would be more practicable to separate co-operative lending and that the Co-operative Department may be empowered to evolve suitable and practicable schemes for scaling down the debts of the members of co-operative societies. The societies themselves would be endorsing any such schemes within the limitations mentioned above viz., that the scaling down should be to the extent of the reserves of the societies concerned.

The Debt Conciliation Acts have been in operation in other Indian States and British Provinces for a number of years. The experience of their working and the difficulties that have come in their operation in respect of co-operative societies' dues are known from the reports published. Generally their working has resulted in a considerable shrinkage in credit and the agriculturists experienced difficulty in securing fresh advances even for productive expenditure. Even co-operative societies could not afford relief due to difficulties involved in recovering their arrears. Taccavi loans had to be advanced in some Provinces. The Debt Conciliation machinery has, therefore, to be adjusted so as to leave a sufficient portion of the debtors' property, free from the encumbrances for repayment of the settled debts, so as to enable the debtor to obtain advances for current agricultural operations. Other difficulties in conciliation of co-operative debts arise on account of delay in obtaining the previous approval of the Registrar or on account of his having given a scheme of conciliation different from what is agreed upon by the Board and other creditors of the same debtors. In Central Provinces the cumulative effect of such difficulties was that co-operative debts could with difficulty be settled. Besides this, the membership of a society had also stood in their way of getting relief by conciliation of their other debts, as a consequence of which, they began to feel the membership to be a curse. The consensus of opinion on the working of this Act in different Provinces is that it is advisable to remove these co-operative debts from the jurisdiction of the Debt Conciliation Board and at the same time evolve a



separate scheme of conciliation for scaling down the overdues in the co-operative societies consistent with the resources of societies.

If this idea finds favour with the Government the amendments necessary to the present Debt Conciliation Act are very few and easy. The Government will only have to delete (i) the inclusion of co-operative societies in the definition of the creditor and (ii) the proviso to section 14 (1). Only by the existence of these two provisions in the Act, it is made applicable to the co-operative societies.

## APPENDIX

### I. Debt Conciliation Act VI of 1939

**Preamble.**—WHEREAS it is expedient to relieve agriculturists from indebtedness by amicable settlement between them and their creditors, it is hereby enacted as follows:—

**Section 2.** (d) 'Creditor' means a person to whom a debt is owing and includes a Co-operative Society.

(e) "Debt" includes all liabilities owing to a creditor, in cash or kind, secured or unsecured, payable under a decree or order of a Civil Court or otherwise whether due or not due, but shall not include arrears of wages, land revenue, or any thing recoverable as an arrear of land revenue, or any money for the recovery of which a suit is barred by limitation.

**Section 14.** (1) If the creditors to whom not less than forty per cent of the total amount of the debtor's debt are owing come to an amicable settlement with the debtor, such settlement shall forthwith be reduced to writing in the form of an agreement recording (a) List of immoveable properties of the debtor with particulars of any mortgage, lien or charge subsisting thereon, the amount payable to such creditors and the manner in which and the times at which they are to be paid. Such agreement shall be read out and explained to the parties concerned and shall be signed or otherwise authenticated by the Board and the parties:

PROVIDED that when a Co-operative Society is one of such creditors, no settlement, in so far as it affects the debts owing to such society, shall be valid without the previous approval in writing of the Registrar, of Co-operative Societies.

(2) An agreement thus made shall, within one month from the date of its making be registered under the Indore Registration Act, 1907, by the Chairman of the Board in such manner as may be prescribed and it shall then take effect as if it were a decree of a Civil Court.

(3) For the purpose of the registration of an agreement under sub-section (2), the Chairman of the Board shall be deemed to be an officer of Government empowered to execute such agreement within the meaning of section 88 of the Indore Registration Act, 1907.

**Section 15** Where an agreement registered under sub-section (2) of section 14 relates to a debt which is secured by a mortgage, lien or charge on any immoveable property of a debtor, such mortgage, lien or charge shall subsist

to the extent of the amount payable to the creditor in respect of such debt in accordance with the terms of the agreement until such amount has been paid or the property has been sold for the satisfaction of such debt.

**Section 22.** (1) Where, during the hearing of any application made under section 4, any creditor refused to agree to an amicable settlement, the Board may, if it is of opinion that the debtor has made such creditor a fair offer which the creditor ought, reasonably to accept, grant the debtor a certificate in such form as may be prescribed in respect of the debts owed by him to such creditor.

(2) Where any creditor sues in a civil court for the recovery of a debt or the decree holder applies for execution of his decree in respect of which a certificate has been granted under sub-section (1) the court shall notwithstanding the provisions of any law for the time being in force, not allow the plaintiff any cost in such suit or allow the decreeholder any cost in the execution proceeding or allow in either case interest on the debt after the date of such certificate.

(3) Where after the registration of an agreement under sub-section (2) of section 14 any creditor sues for the recovery of a debt, other than a debt incurred subsequent to such agreement, in respect of which a certificate has been granted under sub-section (1) or any creditor sues for the recovery of a debt incurred after the date of such registration any decree passed in such suit shall notwithstanding anything contained in the Indore Code of Civil Procedure 1927 not be executed until all amounts recorded as payable under such agreement have ceased to subsist.

**Section 23—No civil court shall entertain—**

(a) Any suit in respect of—

- (i) any matter pending before a Board, or
- (ii) the validity of any procedure or the legality of any agreement made under this Act or
- (iii) the recovery of any debt recorded as wholly or partly payable under an agreement registered under sub-section (2) of section 14 from any person who is debtor was party to such agreement whether such agreement is subsisting or not, or
- (iv) the recovery of any debt which has been deemed to have been fully discharged under sub-section (2) of section 9 except a debt which is received under the proviso to that sub-section.

(b) Any application to execute a decree, the execution of which is suspended under sub-section (3) of section 22.

**Section 28—**When an application has been made to a Board under section 4, any suit or other proceedings then pending before a civil court in respect of any debt for the settlement of which application has been made shall be suspended until the Board has disposed of the application.

Provided that no decree, whether passed before the date of such application or passed in the suit after revival for the recovery of an unsecured debt in respect of which a certificate has been granted under sub-section (1) of section 22, shall be executed until all the amounts recorded as payable under an agreement registered under sub-section (2) of section 14 have been paid or such agreement has ceased to subsist.

## II. Indore Co-operative Societies Act (Act V of 1914) and Rules.

**Section 19**—Subject to any prior claim of the Government in respect of land revenue or any money recoverable as Land Revenue or of any amount recoverable as a State Demand, any debt or outstanding demand owing to a Society by any member or past member shall be a first charge on that member's or past member's property moveable as well as immoveable.

**Section 19**—A dispute in respect of the business of a Society between any person who :

- (a) is or has been a member of a society or
- (b) claims through any one who is or has been a member and such Society or its Committee or any of its Officers

shall be referred to the Registrar for decision.

**Rule 20**—When any such matter is referred to in rule 19, is submitted to the Registrar for decision, the Registrar shall cause such inquiries to be made as the nature of the case may demand. On completion of such inquiries the Registrar shall record a written order deciding the dispute. Orders thus passed by the Registrar shall be final and

(a) on a requisition to the Amin of the Mahal made by the Registrar of Co-operative Societies all sums recoverable under the decision shall be recovered in the same manner as arrears of Land Revenue ;

or

(b) on motion to the civil court having jurisdiction over the subject matter of the decision, that court shall enforce the decision as if it were a decree of the court.

## CO-OPERATIVE FEDERATION IN BIHAR

By

BABU SHYAMSUNDAR LAL,

*Hon. Secretary, Divisional Co-operative Federation Board, Bhagalpur.*

The Bihar Co-operative Federation, Ltd., is an institution unique of its kind in India. The credit of founding it is due to the Registrar, Mr. B. A. Collins, I.C.S., who conceived the idea as early as 1911. In 1915 Mr. Collins began discussing the matter with non officials in their conferences and ultimately decided to apply to Government for approval. The Local and the Central Governments in India would not take the responsibility of transferring the statutory function of the Registrar to a body consisting of non-officials. They therefore referred the matter to the Secretary of State who approved the idea of Mr. Collins and permitted the formation of a Federation to deal with the statutory business of the Government. In June 1919 the Federation was actually started. In the Departmental report of the Government for 1918-19 we find "The initiation of the Co-operative Federation marks an important stage in the growth of the Co-operative Movement." The object of Mr. Collins in the inauguration of this Federation was (1) to relieve Government of the cost of expending more money on audit (2) and to educate the co-operators in the art of managing their own business. Following are the objects and aims, as laid down in the original Certificate of Registration :—

(i) to ensure a regular and efficient system of supervision, audit and control for all co-operative banks and societies enrolled as members.

(ii) to promote agricultural, industrial and other special forms of co-operation.

(iii) to aid in the expansion and improvement of primary education, to promote sanitation, to facilitate medical and famine relief and generally to secure the moral and mental progress of the affiliated Societies.

(iv) to secure unity and uniformity among all co-operators in Bihar and Orissa and to see that all co-operative business is conducted on sound and progressive lines;

(v) the federation may acquire and work a Press.

Since the inauguration of the Federation two Committees have sat in the Province to examine the working of the Movement. The first known as the Lyall Committee of 1923, appreciated the inauguration of the Federation and wished it to work on. The second one, known as the Hubback Committee of 1931, while appreciating the usefulness of the Federation recommended that for its stability more powers should be granted under the statute.

In pursuance of the report of the Hubback Committee, the Legislature of the Province gave the Federation a status and defined it as a registered society, the main object of which was to co-ordinate and facilitate the activities of other registered societies and to foster the growth of the co-operative movement.

The Federation started its career with Khan Bahadur Monideen Ahmed as its first Governor and Babu Ajodhya Prasad Varma as its Secretary and a Council consisting of 10 members.

Under the constitution of the Federation its supreme authority is vested in a Congress composed of elected representatives of banks and societies which ordinarily sits once in a year to transact its business as an Annual General Meeting of a society registered under the Co-operative Act. The business at intervals of annual meetings is transacted by a small working Committee, known as the Federation Council, which is constituted at every annual sitting of the Congress.

Each Divisional Board in the Province has 3 representatives in this Council and each councillor retains his seat for 3 years and one of them retires annually, and the vacancy caused is filled up by election in the Congress. Besides the Representatives of the Divisional Board, the Registrar-Governor, the Deputy Governor and the Deputy Registrar are also Ex-officio Councillors.

Just after coming into being the Federation devised a scheme to form a Board to be called the Divisional Federation Board in each Division of the Province with a view to encourage co-operators to take part in deliberations concerning the well being of the movement and matters arising for consideration in the Division. It was in the 3rd session that the Congress resolved to form these Boards at the Head quarters of each Division, i.e., Patna, Bhagalpur, Muzafferpur, Ranchi and Cuttack. The original scheme for the Divisional Boards as passed by the Congress had the following for its objects: (i) To consider and discuss matters relating to a regular and efficient system of supervision, audit and control of Central Banks and limited Societies in a Division. (ii) To formulate definite lines of policy as regards promotion of primary education, agri-

cultural improvement and industrial development by means of Co-operation. (iii) To devise ways and means and suggest constructive schemes for the promotion of sanitation, medical relief and relief of economic distress. (iv) To examine and study all new forms of co-operation with a view to its introduction.

These Boards were constituted by election of 2 representatives from each Central Bank in a Division and one representative from each limited Society with 75 members besides the Assistant Registrar and the Honorary Organiser in the Division. These Boards were expected to meet not more than 4 times a year. The cost of maintaining an office was to be met by the Federation and the travelling allowance of the members by the Bank or Society sending the representative. Subsequently these Boards were given the power to guide the Propaganda Officer placed in their Division. Some of these Boards such as Chhotanagpur, Bhagalpur and Patna were permitted to do some development work.

**Co-operative Press.**—Khan Bahadur Mohiuddin Ahmed conceived the idea of tacking on a Printing Press to the Federation and it is seen that even before the first sitting of the Congress, arrangements for owning and running a Press were made by him in anticipation of the Congress sanction. A press was first taken on lease and subsequently purchased. A type foundry was also established at great cost. The Co-operative Press did good work for some time but the venture ultimately failed causing a loss of more than a lakh of rupees to the Federation. It could not be run on business lines. It was all along run on the lines of a Government concern with a top heavy administration paraphernalia. Men who actually worked the business had no business experience and those who guided the affairs were equally disqualified as business men. The ordinary business tactics of employing canvassers, paying commissions etc. were not adopted and the success of the business was expected from the Registrar's circular orders and the like.

**Audit Service.**—The chief business of the Federation was the conduct and control of the audit system. The quality as well as quantity of the work done was always considered to be satisfactory by Government. Three classes of officers were employed for the purpose, Assistant Auditors, Junior Auditors and Local Auditors. Assistant Auditors were men with superior qualifications and were mostly employed for auditing Central Banks. Local auditors were meant to audit primary rural societies and the Junior Auditors were meant for doing intermediate jobs. Central Banks were audited for some time half yearly, then monthly

and then once in two months. Primary societies were audited once yearly. A small percentage of the audit work done by lower auditors was test audited by superior auditors. About 10 Assistant auditors, 15 to 20 junior auditors and 100 local auditors constituted the strength of the audit staff. Some time after the start of the Federation, as ill-luck would have it, Government conceived an idea of employing a Chief Auditor to assist the Registrar in understanding and dealing with the affairs relating to audit. A raw youngman with some foreign qualifications was employed. The officer selected, was a pure and simple auditor and not at all a co-operator. Minutes of the Council meetings reveal that the troubles in the audit section commenced as soon as this Chief auditor came in. There was a regular scramble between this Chief auditor and the Federation Secretary for the control over these auditors which led to a dual administration of the Audit Department, one vying with the other in getting the reins of the affairs absolutely in his hands. The federation could keep on till its wheel was in competent hands. As soon as opportunity came these auditors were made to rebel against the Federation control. They set up an agitation, they sent up memorials to Government. The Federation in the meanwhile had become crippled in its resources and was not able to pay salaries regularly, and so the Federation agreed to make over the audit to Government, thus giving up the work for which it was inaugurated.

In its rosy days the Federation dreamt many day dreams, one of which was the Development programme. The idea of doing Development works can also be traced back to Khan Bahadur Mohiuddin Ahammed, the Registrar. Now at this distance of time it is not possible to say if the Khan Bahadur had conceived this ambitious programme with a view to solve the unemployment problem. As a first step a high salaried post was created. The salary attached to this post was something nearing the salary attached to the Government officers of the Provincial cadre. There is no record of any substantial work done by any who occupied the post. The idea of Development, however, was propagated by these officers and some non-official workers took up the clue in right earnest and began organizing village uplift societies. Masman, Parlul, Lalmati and Kerthal are the outcome of their labour. Though they started well, all these works began to fade off when Government set up its own Development centres under Government servants.

**Propaganda.**—Each of the Divisional Boards in the Province was given a Propaganda Officer and an Assistant Propaganda Officer to work with. The officers employed were generally well educated people and capable of doing work. They went round the Societies, held training

classes of Panches, propagated the movement by addressing meetings, and by lantern lectures. They were really a useful band of workers, who wanted to do Development work; then as the Federation by and by became unable and unfit to maintain they were disbanded.

**Training.**—The Federation was running two Institutes for training its workers, one located at Cuttack and the other at Sabour. Co-operative law and principles, book-keeping and accountancy were taught in this School. The Sabour Institution was latterly named Durga Prasad Training Institute. This institution for some time held itinerant classes in mofussil banks and gave an opportunity to the honorary workers to know many things necessary for running a central bank business. This activity of the Federation was also crippled by Government running the institute itself. Prof. B. B. Mukherji, M.A., a veteran co-operator, renowned economist and educationist in the Provinces, and Babu J. N. Misra, M.A., another educationist, were on the staff of the Sabour Institution. They had to leave the institution and their places were filled by a Sub-Deputy Magistrate, and a Propaganda officer, neither of whom could claim any knowledge of economics. This was the way in which this wing of the Federation activities was broken.

A look into the proceedings of the Congress and the Council meeting would reveal the nature of the struggle between the official and the non-official co-operative workers. While the former tried to strengthen its hold on the affairs of the movement, the other tried to shake off the shackles as quickly as possible. The tug-of-war continued for about 20 years and the non-official fighters were ultimately vanquished. Far from being a people's movement, co-operation became actually a Governmental activity to control the credit of the people.

It will not be out of place to quote here some of the achievements of the Federation and the appreciation of the same in the reports published by Government from time to time. The Registrar observed in his annual report for 1917-18: "The formation of the Federation is undoubtedly a step in the right direction. The ideal of the Federation is that Co-operators themselves must decide on the policy and line of development as well as carry out the programme." The Government appreciated this view of the Registrar and said: "The formation of the Federation has supplied an urgent need for the future development of co-operation." Again we read in Government Resolution on the Registrar's Report for 1918-19: "The initiation of the Co-operative Federation for audit and other purposes marks an important stage in



the growth of the Co-operative Movement." Government Resolution on the Registrar's Report for 1920-21 contains: "The Co-operative Federation which was started in June 1919 is designed to relieve the Government to a great extent of the work of audit and inspection of Societies with the aim of ultimately reducing Government control of the Movement to the minimum. The Movement is so fraught with benefits of all kinds that the Government are ready within reasonable limits to ask the Legislative Council to subsidise it." In his report for the year 1928, the Registrar wrote: "It is, however, gratifying that a good deal of useful work was done by the Propaganda Officers..." In the Government's Resolution on the Registrar's report for 1929 we find: "Government are pleased to note the progress which has been made during the year in the scope of the activities of the Co-operative Federation." "In the Registrar's Report of 1930 we find: "In general the Federation fulfils a number of useful functions and plays a very important part in co-operative organization." Government endorsed the view in the following terms:—"Government are pleased to note that the Federation continues to fulfil a very important role in the Co-operative organization." Government, while reviewing the Hubbuck Committee's Report, in Resolution, dated 13-12-33, observed: "The Federation was primarily constituted for the purpose of arranging for the audit of Co-operative Institutions and Government have no reason to be dissatisfied with the manner in which the audit has been conducted." In 1931 the Government Resolution reviewing the Registrar's Report recorded: "Government are pleased to note that the Co-operative Federation records yet another year of useful activity." In 1932 Government said again "The Co-operative Federation continues to do very useful work. The Federation has now become an integral part of the whole Movement."

From 1933 the affairs of the Federation show a move downwards, and that is because it failed to collect its levies from the banks. Slowly one by one of its activities stopped for want of funds and for want of Government sympathy. To-day we find the Federation almost dead. The Rehabilitation Scheme seems to transform the Co-operative Movement into one of a credit movement and silently does away with the necessity of a Federation like this.

## REVIEWS

GROUNDNUT. By Dr. B. V. Narayanaswami Naidu and S. Hariharan. (Annamalai University, 1941).

Groundnut is one of the chief cash crops of the Madras Presidency which contributes about 60 per cent of the total production. The district of South Arcot has been the oldest and the most important producing and exporting centre in this Province. It is therefore but appropriate that this brochure should have been published by the Economics Department of the Annamalai University which is situated in the heart of the district. The present War has had serious repercussions on the trade in groundnuts causing a severe glut in the market and distress among the producers. Thus the study has appeared at an opportune moment and is a valuable source of information on practically all aspects of economic importance pertaining to the production and sale of groundnuts.

The first chapter deals with the conditions under which the crop is grown, the commercial classification of the varieties selected for cultivation with reference to the suitability of the soil, irrigation facilities, and labour power, and the methods of harvesting adopted which differ according to soil and climate. The results obtained from experiments conducted in the Agricultural Research Station at Palur on the various methods of cultivation have been summarised. The data on the costs of cultivation, of both the rainfed and the irrigated crop, have been compiled from the figures available at the Tindivanam Agricultural Research Station. It would have been preferable if information had been collected independently on the actual costs incurred by the cultivators.

Then follows a historical retrospect of the progress made by the groundnut crop during the last 25 years in the continental countries where it is grown and in China and India. The causes that have led to the fluctuations in acreage under cultivation and production have been examined. The position held by groundnut in relation to the other crops raised in India and particularly in Madras, and its growing importance among the oil-seeds have been clearly presented with a number of statistical tables and diagrammatic representations. The reasons assigned for the low yield per acre, based as they are on the data published by the Government, cannot be taken as wholly

correct. The results achieved by experimental research in the different spheres of groundnut cultivation have been recorded. This is followed by a rather lengthy digression on the efficacy of electro-culture. This method has not been widely tried in British India while the results obtained in Tindivanam were not satisfactory.

The insect pests and diseases that affect the crop and the remedial measures suggested have been described. It has been pointed out by the author that the poor quality of the groundnut exported from Madras has been mainly due to premature harvests, improper storage and insufficient drying. The elimination of these defects is essential if a higher value is to be obtained for the Indian groundnut in the international market.

Marketing is the most important of the problems that face the producer. An interesting description is given of the chain of middlemen—the village dealer, the shed-men, etc.—and the fraudulent methods used by them to deceive the ignorant farmers who lose heavily on account of the existence of these intermediaries. Further he has referred to the utter poverty of the producers which binds them to the village dealers and forces them to sell the produce in the village itself. After a survey of the chaotic conditions of the rural markets the author rightly concludes that co-operative marketing offers one of the best means through which the producer can get the full market price for his produce and that efficient consumers' societies will eradicate the middlemen. The activities of the sale societies in the Madras Presidency have been briefly mentioned. The history of the Central Sale Society at Cuddalore and its activities which have been furnished, reveal that the ryots were able to get fair prices besides godown facilities through this organisation. However the controlled credit system launched by the Co-operative Department could not adequately meet the needs of the ryots and with the opening of market yards, it is learnt, the usefulness of the society slowly and steadily diminished with the result that it is now under liquidation. In view of the potentialities of co-operative marketing for securing the maximum benefit to the producer greater attention could have been given to this aspect of the problem.

The Book is informative on the regulated markets in other Provinces and States. The Madras Commercial Produce Market Act, the constitution and functions of the Marketing Committee and the working of the market yards have all been treated in full. The defects in working the Act have been pointed out which we hope will receive due consideration at the hands of the authorities. The study of the problem of marketing is supplemented by a discussion of the effects

of excessive railway freights on the price of groundnut. The author inclines to the view that lower freights will also increase the revenues of Railways.

The share of India in the export trade of groundnut is dealt with in detail and the growing competition from the tropical possessions of European Countries has been indicated. The present war has completely closed to the Indian exporter the markets for Europe which had been taking nearly 70 per cent of the exports. The higher costs of insurance, rise in shipping freights and lack of shipping space have still further aggravated the situation. The trend of price movements over a long period and the factors affecting it have been analysed on the basis of the data available in the Government reports.

As the immediate problem now facing the producer and the trader is the disposal of the large surplus produce, the practicability of the solutions suggested for tiding over the market crisis have been discussed with care. Dr. Naidu thinks that neither the scheme of restrictionism nor the scheme of subsidy can solve the problem of over-production but that the only effective remedy is to devise ways and means to increase the internal demand either by increasing the consumption of raw commodities or by converting the surplus into manufactured products. He would prefer the latter course and in this connection he has given an exhaustive account of the various uses to which the groundnut oil can be put and the number of products that can be manufactured from it. However one cannot expect a rapid development in internal consumption. Important points have been raised in this chapter for discussion which may form the basis of further search for a proper solution.

EDITOR.

## CO-OPERATIVE SOCIETIES AT WORK IN INDIA

### CENTRAL PROVINCES & BERAR

Extracts from the Report of the Registrar of Co-operative Societies for the year ending 30—6—1940 :—

**General position.**—The year under report was more favourable to the agriculturists than the previous one. The crops were generally better and prices were also more favourable, especially of cotton, as a result of the outbreak of the War. Recoveries consequently improved and the movement showed signs of reviving, especially in Berar.

he position of the co-operative movement in Berar continued to engage the anxious attention of Government during the year. In September 1939, a communique was published summarising its conclusions on the recommendations of the Berar Co-operative Enquiry Committee and its proposals for dealing with the problems of co-operative movement in Berar. Unfortunately, the proposals set out in the communique did not commend themselves to the interests primarily concerned and the situation also changed considerably due to the outbreak of the War, which was responsible for the sharp rise in the price of cotton, which is the chief money crop in Berar. Government, therefore, issued another communique in March 1940 outlining its final proposals for dealing with the Berar problem. The salient features of the scheme contemplated by Government are:—

- (i) Calling of meetings of creditors of the banks which have suspended payment with a view to find out if not less than 51 per cent in value of all the creditors agree to a compromise or an arrangement for payment of liabilities of the banks. Such a scheme, when confirmed by the Registrar, will be binding on all the creditors under Section 42-B (2) of the Co-operative Societies Act which was inserted by the Central Provinces and Berar Co-operative Societies (Amendment) Act, 1940 (V of 1940),
- (ii) Enquiry into the assets, liabilities and repaying capacity of the indebted members of societies by the Registrar with a view to ascertain the amount which can be recovered from them in the maximum period of 20 years and conciliation of the creditors' dues to the level of the banks' realisable assets,
- (iii) Government guarantee of interest at 3 per cent or at the stipulated rate, whichever is lower, on the debts of central banks reduced by compromise or conciliation to the extent of debtors' capacity to repay in the maximum of 20 years from the date such proposals are accepted. Government also agreed to grant a subsidy of not more than Rs. 1 lakh for not more than three years to meet deficits, if any, in the working expenses of the central banks after all measures of economy and retrenchment considered necessary by the Registrar had been carried out and to give assistance up to one lakh of rupees for future financing of societies.

- (iv) Setting up of new committees of management containing representatives of all the interests concerned including the creditors.

Meetings of creditors of all the nine central banks were accordingly held in June 1940 where a scheme containing the compromise or arrangement for repayment of liabilities of the banks was accepted by the requisite majority of creditors. Enquiries will now be started by the Registrar to find out the amount that can be realised and repaid to the creditors during the period of the scheme.

In the Central Provinces also the Hoshangabad, Piparia, Jubbulpore and Murwara Central Banks found it difficult to repay the depositors on the due dates, and, therefore, suspended payment. They have also taken advantage of Section 42-B of the Co-operative Societies Act and have framed schemes for repayment of their creditors. Meetings of creditors in these banks were also held after the close of the year where the schemes have been accepted by the requisite majority of creditors. The financial position of other central banks in the northern part of the province is fairly sound with one or two exceptions, and it is expected that they will be able to tide over the crisis facing the movement and continue their normal functioning. The financial position of the banks in the Chhattisgarh and Nagpur Divisions is also sound and none of them need find difficulties in repayment of its depositors.

The movement is in a healthy condition in the old Chhattisgarh Division where the honorary workers have always taken a keen interest in the affairs of their banks and have managed them on strictly co-operative lines. Another bright feature in the movement is registration of as many as 247 new societies during the year which shows that in spite of the failure of the movement over a large part of the province, agriculturists are anxious to join the movement for financial help which cannot be now easily obtained from any other source. Another good feature is the sound position of the Apex Bank which has continued to be a tower of strength to the movement.

**Financial Balance-Sheet of the Co-operative Movement as a Whole.**—The financial position of the central banks of the province and the Provincial Bank taken together on the 30th June 1940 is indicated in the rough balance-sheet given below:—

LIABILITIES		ASSETS	
Serial No.	Amount. Rs.	Serial No.	Amount. Rs.
1. Deposits :—		1. Cash in hand and in banks outside the movement	
(a) Fixed deposits	1,26,29,801	..	5,11,165
(b) Savings deposits	25,00,110		
(c) Current deposits	14,20,129		
2. Debentures	.. 13,91,000	2. Surplus in Government Securities	9,80,817

LIABILITIES		ASSETS	
Serial No.	Amount. Rs.	Serial No.	Amount. Rs.
3. Provident fund of the employees ..	3,91,007	3. Fluid resource and reserve fund in Government Securities	53,13,137
4. Loans due to banks outside the movement	8,732	4. Demand Loan on security of Government paper and deposits	6,35,382
Total liabilities to outside creditors	1,83,40,779		
5. Paid up share capital	15,53,469	5. Deposits in approved banks outside the movement	40,27,603
		A. Total liquid assets	1,14,68,104
		6. Building and stock	7,27,660
		7. Landed property	35,71,929
		B. Total fixed assets	42,99,589
		Total liquid and fixed assets (A, B)	1,57,67,693
Grand Total of Liabilities	1,98,94,248	8. Good debts	59,64,625
		Grand Total of assets	2,17,32,318
For 1938-39	2,14,44,160	For 1938-39	2,27,83,114

**Societies and Membership.**—The number of co-operative societies of all types thus increased from 4,764 to 4,884, of which 4,421 were agricultural primary societies with unlimited liability and 15 with limited liability (14 crop loan societies in Berar and one landlords' society at Narsinghpur).

The total membership of all societies in the province increased to 136,271 (132,115), while the working capital fell to Rs. 5,23,52,974 (Rs. 5,43,26,172). The primary agricultural societies on share basis further increased to 3,011 (2,936), of which 650 are converted and 2,361 registered on share basis. During the

year one multi-purpose society was registered under the Sohagpur Tahsil Central Bank. The total number of multi-purpose societies registered so far is nine of which three are dormant and six are working. Government sanctioned a provision of Rs. 5,600 for the construction of four godowns and pay of 10 managers. The expenditure during the year 1939-40 amounted to Rs. 2,616 only.

**Training and Propaganda.**—The scheme of training and education of the staff of the department and co-operative organizations and the members of primary societies which is financed out of the Government of India grant was continued during the year. As laid down in the first scheme, the educational staff of the department held in the first half of the year six training classes for (i) circle auditors, valuers and chief group officers, (ii) society auditors (iii) group officers, (iv) managers, (v) assistant group officers, and (vi) accountants, for periods varying from one to three months. Two classes were conducted side by side during the half year. The total number of candidates trained at these classes was 115 including 50 private candidates. Of these, 50 employees and 20 outsiders were successful at the examinations held after the various training classes.

In the latter half of the year, 29 (42) training classes were held by the educational staff with the help of the Divisional Co-operative Institutes and were attended by 1,607 (2,805) members and office-bearers of rural primary societies including 392 (755) literate persons. Each class continued for nearly eight days and the main principles of co-operation and their application were explained to the members in homely talks. Literate members were trained in the writing of accounts, proceedings books and the loan applications. A written examination for the literate and an oral test for the illiterate persons were conducted at which 118 literate and 796 illiterate members were successful. Excepting Seoni, at least one class was held under the area of each central bank in the central Provinces, while the Berar Institute organised only one class in the area of Mehkar Central Bank. This was due to the financial crisis in most of the Berar banks. The Raipur and Bilaspur banks organised three training classes each and the Nagpur bank arranged two classes. The total amount of out-of-pocket expenses, including motor and railway fares, disbursed to the members amounted to Rs. 3,681-11-0. These charges were defrayed out of the Government of India grant. Rallies and magic lantern shows were held on the occasion of these classes and the officers of the allied departments took part in them. The Educational Inspector delivered lectures at the refresher course of the officers of the Revenue, Irrigation and Agriculture Departments at Chandkhuri, to the students of four normal schools and of three village uplift training classes.

**Agricultural Credit Societies with Limited and Unlimited Liability.**—The working capital of societies in the province, excluding those under liquidation, decreased from Rs. 92,27,249 to Rs. 83,78,315; in the Central Provinces it decreased from Rs. 52,59,385 to Rs. 48,51,402, and in Berar from Rs. 39,67,864 to Rs. 35,26,913. The loans due by members also fell from Rs. 69,15,886 to Rs. 61,15,505. They fell in the Central Provinces from Rs. 39,59,803 to Rs. 36,92,570 and in Berar from Rs. 29,56,083 to Rs. 24,22,935. Cash recoveries from members of working societies increased from Rs. 8,49,053 to Rs. 10,87,079 in the Central Provinces and from Rs. 1,69,024 to Rs. 2,92,300 in Berar.



The membership of societies, other than those under liquidation fell from 50,411 to 49,443 in the Central Provinces and from 7,289 to 6,929 in Berar. The average number of members per society in the Province fell from 13 to 12·7 the average being 13·2 in the Central Provinces and 10·2 in Berar.

Total loans advanced by societies to members decreased from Rs. 10,39,084 to Rs. 12,70,704, of which cash advances amounted to Rs. 8,09,653 (Rs. 3,68,132), being Rs. 7,52,434 (Rs. 7,64,414) and Rs. 57,219 (Rs. 1,03,718) in the Central Provinces and Berar, respectively. The largest amount was advanced for purchase of bullocks and plough cattle by the Raipur, Bilaspur, Drug and Bhandara banks in Chhattisgarh division and by Brahmपुरi bank in Nagpur division. The percentage of advance for cattle was 51·1 in the Central Provinces. The largest amount in Berar was for cultivation expenses, the percentage to the total advance being 60·8.

The proportion of overdues in the loans of societies (excluding those under liquidation) against members has come down to Rs. 39,61,432 (Rs. 48,93,798) or 64·7 (70·7) per cent for the province as a whole. The proportion of overdues in the Central Provinces has decreased to 44·3 (52·9) per cent, while in Berar it has gone up to 96·0 (94·7) per cent. Including renewals, the percentage would be 44·9 (56·6) and 96·1 (95·2) in the Central Provinces and Berar, respectively. The renewals granted were for Rs. 22,248 and Rs. 3,457 in the Central Provinces and Berar, respectively. Out of 4,436 societies, 441 (713) in the Central Provinces and 306 (339) in Berar failed to pay even the interest due during the year. The number of societies which took no loans during the year from central banks was 1,852 (16,70) in the Central Provinces and 256 (392) in Berar.

The rates of interest charged to societies varied between 6 to 8½ per cent (except Khamgaon where the rate charged by the bank to societies is 10 per cent). The policy of allowing interest on reserve fund of societies for reducing the rates of interest on loans due by members was continued with the effect that in some societies the rates of interest to members was as low as 4 per cent.

Deposits in societies further decreased from Rs. 2,68,114 to Rs. 2,56,682. In the Central Provinces, the deposits of members increased from Rs. 95,412 to Rs. 1,01,877 and of non-members from Rs. 9,868 to Rs. 9,936. In Berar, there was a decrease in members' deposits from Rs. 17,443 to Rs. 15,166 and in non-members' deposits from Rs. 1,45,391 to Rs. 1,29,703. The fall in deposits in Berar was due to the economic depression and to the deplorable condition of the movement in that division.

**Land Mortgage Banks**—The number of land mortgage banks remained stationary at 21. The proposals for the registration of banks at Damoh, Chanda and Balaghat which were pending at the close of the last year were dropped as it was considered desirable not to establish any more banks but to consolidate the position of the existing ones by recovering overdues which had appeared in some of them. All the banks were in full working order during the year except Betul which financed its first borrower after the close of the year. The area of operations of the Saugor Land Mortgage Bank was extended to the Damoh sub-division at the special request of the tenants of that sub-division.

There was a considerable fall in the volume of fresh business done during the year. This was due to the following factors:—

- (1) Establishment of Debt Relief Courts. Agriculturists were tempted to

resort to them as they could get more concessions from them than from land mortgage banks.

- (2) Good crops of the year which brought in a fairly high income to agriculturists who satisfied some of their creditors and paid up arrears of land revenue or rent and, therefore, did not feel the pressing need for going to land mortgage banks.
- (3) Outbreak of war and consequent restriction of credit by the Provincial Bank. Immediately after the outbreak of war the Provincial Bank found it difficult to float debentures. It, therefore, adopted the policy of sanctioning loan applications up to Rs. 1,000. As it could, however, get subscribers and raise Rs. 6 lakhs by way of debentures later on, it removed the restriction but instructed all land mortgage banks not to entertain loan applications for more than Rs. 5,000 from any individual.
- (4) Lack of propaganda by most of the banks to popularise their activities in the interior and attract business.

The most remarkable feature of the working of land mortgage banks during the year was the sharp fall in the number of loan applications received mainly due to the establishment of Debt Relief Courts under the Relief of Indebtedness Act. Some co-ordination by legislation between the work of Debt Relief Courts and that of land mortgage banks is necessary if the latter are to flourish and render effective financial assistance to agriculturists. The former should reduce the claims of creditors considerably for cash payments and the latter should agree to make advances for paying off reduced claims if they are satisfied with the merits of the case sent to them by Relief Courts. In the Bombay Presidency a provision has been made in the Agricultural Debtors' Act, which corresponds to our Relief of Indebtedness Act, for bringing about co-ordination between the Relief Courts and land mortgage banks. This subject was also considered by the recent Conference of Land Mortgage Banks which has accepted the principle and referred the subject to a sub-committee for drafting a suitable amendment to the Central Provinces Relief of Indebtedness Act.

**Central Banks.**—The number of central banks continued to 35. The total working capital of central banks decreased to Rs. 2,32,15,046 (Rs. 2,43,41,028). The share capital declined further to Rs. 15,17,139 (Rs. 15,20,742); it rose from Rs. 9,61,243 to 9,63,550 in the Central Provinces, while it fell from Rs. 5,59,499 to Rs. 5,53,589 in Berar. The reduction in Berar is mostly due to the redemption of shares of members of societies under liquidation.

Reserve and other funds decreased to Rs. 54,11,433 (Rs. 54,20,648), of which a sum of Rs. 34,22,235 was ear-marked for provision for bad and doubtful debts. The total loans outstanding against affiliated societies decreased to Rs. 1,19,45,815 (Rs. 1,25,67,417). It decreased to Rs. 45,88,616 (Rs. 48,70,945) in the Central Provinces and to Rs. 73,57,199 (Rs. 76,96,472) in Berar. Bad debts amounted to Rs. 11,95,301 and Rs. 48,17,500 and doubtful debts to Rs. 2,17,547 and Rs. 4,896 in the Central Provinces and Berar respectively. Bad debts increased in the Central Provinces by Rs. 60,128 and in Berar by Rs. 9,70,394. Doubtful debts increased in the Central Provinces by Rs. 20,305 and in Berar by Rs. 20,977. The percentage of bad debts to the total loans outstanding works out in the Central Provinces at 26.0 (23.3) and in Berar at 65.5 (49), while that of doubtful debts at 4.7

(4.8) and .07 (0.3) respectively. The only banks where there are no bad or doubtful debts are Bilaspur in the Central Provinces and Pusa and Darwha in Berar. The bad and doubtful debts are nominal in Raipur and Drug, *viz.*, Rs. 1,277 and Rs. 409, respectively.

The total deposits of all kinds held by all the central banks on the 30th June 1940 amounted to Rs. 1,01,24,086, out of which a sum of Rs. 5,82,540 has been transferred to the Provincial Bank which maintains adequate cover for the same. The cover required for the balance of Rs. 35,41,546 is Rs. 46,00,802 whereas the banks have maintained Rs. 17,81,396 only. During the year out of 35 central banks, 18 (20) have maintained adequate fluid resource while 17 (15) have failed to do so. The fluid resource as a whole has been much depleted as a result of heavy withdrawals of deposits from banks. The importance of maintaining adequate fluid resource cannot be overstressed in these days when there is a marked tendency to withdraw deposits. Efforts should, therefore, be made to make up the deficit in fluid resource by pushing up recoveries as energetically as possible.

**C. P. and Berar Provincial Co-operative Bank.**—The working capital of the bank has decreased to Rs. 1,61,51,898 (Rs. 1,67,53,817). The net profit has increased to Rs. 78,076 (Rs. 68,276) but it is all unrealised. The amount due from central banks and societies on account of loans, cash credits and over draft accounts decreased from Rs. 45,79,135 to Rs. 41,59,774 of which Rs. 8,14,074 (Rs. 9,68,339) were due from the Central Provinces and Rs. 33,45,700 (Rs. 36,10,796) from the Berar banks and societies. Against the ordinary loans and cash credits due by banks and societies in the Central Provinces, the bank holds as security Government paper of the face value of Rs. 25,000, fixed deposit receipt of this bank aggregating Rs. 1,14,693, building mortgages of Rs. 35,500 and a charge on the fluid resource of Rs. 2,000. Besides these, the loans due by the Narsinghpur Landlords' society aggregating Rs. 62,573 and those due by housing societies are fully secured by mortgage of the village shares and houses of members. As against the loans and cash credits, etc., due by Berar banks, the security held is the aggregate area of 40,532 acres of agricultural land, fixed deposit receipt of Rs. 37,850 and mortgage of office buildings of the value of Rs. 1,14,500.

The bank is associated with the management of nine central banks in Berar and five in the Central Provinces. It has decided to finance crop loan societies of Berar up to the extent of Rs. 3 lakhs. No central bank in Berar, except Malkapur, organized any crop loan societies during the year under report. The bank advanced Rs. 10,457 to the crop loan societies on security of assignments of mortgages executed by their members. It is hoped that other central banks will follow the example of the Malkapur Bank and organize crop loan societies for which there is a great demand. The Provincial Bank is prepared to pay the central banks by way of commission interest at the rate of 2 per cent per annum on the advances made to the crop loan societies in consideration of their rendering service both in respect of advances and recoveries.

Rates of interest on fixed deposits varied from  $1\frac{3}{4}$  per cent to  $3\frac{3}{4}$  per cent, while those on savings bank from  $1\frac{1}{2}$  per cent to  $1\frac{3}{4}$  per cent. Owing to war condition and the Berar crisis, there has been a considerable fall in the deposits of all kinds. The Registrar's and central banks' deposits decreased to Rs. 46,57,073 (Rs. 48,12,565) and Rs. 10,02,571 (Rs. 11,04,040), respectively, and the individual fixed deposits also went down to Rs. 42,33,601 (Rs. 51,94,921). The savings bank and current deposits, too, fell to Rs. 17,49,300 (Rs. 22,42,310).

The cash recoveries of loans during the year rose to Rs. 9,93,272 (Rs. 2,27,815), while the cash advances increased to Rs. 6,60,982 (Rs. 6,37,800). Overdues from central banks and societies amounted to Rs. 13,42,111 (Rs. 9,16,372), the increase being mainly due to the incapacity of the banks even to meet the easy instalments granted in 1937-38. As the Berar banks have suspended payments, the recoveries received by them and the sale proceeds of lands could not be utilized either towards repayment of loan due to the Provincial Bank or repayment of deposits pending confirmation of schemes for payment of creditors.

The surplus funds which the bank continued to have ranged between 19 to 29 lakhs. The heavy surpluses were invested by the bank mostly in short-term deposits with commercial and apex co-operative banks of other provinces. In the year under report it opened a pay office at Narsinghpur for doing the business of making advances on security of grain and other agricultural produce. The bank is thinking of opening branches or pay offices at different centres in the province for similar business.

The share capital and reserve fund of the bank amount to Rs. 5,18,600 (Rs. 5,19,770) and Rs. 5,30,000 (Rs. 5,15,000), respectively. The provision for bad and doubtful debts amounts to Rs. 6 lakhs which may not be found sufficient to cover the losses that the bank may have to suffer in Berar. It will have to draw upon its reserve fund and other funds to meet these losses. The bank's own capital works out to Rs. 13.95 (Rs. 11.12) per cent of the borrowed capital. Further, the current value of the bank's investments in Government paper, though not as high as in the previous year, is still much in excess of what appears in the balance sheet and this latent reserve is a source of additional strength to this bank.

The sound financial position of the Provincial Bank is largely due to the skilful management of its Managing Director, Sir M. G. Deshpande.

**Non-Agricultural societies with limited liability.**—During the year, 9 clerks' societies were registered. The number of such societies thus rose to 60 (51). The membership increased to 27,010 (22,595). The working capital and loans outstanding have gone up to Rs. 19,10,240 and Rs. 16,13,740 (Rs. 15,94,366 and Rs. 14,72,317) respectively. Their profits have increased to Rs. 88,652 (Rs. 73,978). Most of these societies are doing fairly well and their number may well be increased. In such societies, business has been restricted as attachment of salaries of persons drawing less than Rs. 100 has been stopped.

**Dairy Societies.**—The Telinkheri Dairy continues to do good work under the supervision of the Agriculture Department. Other dairies except the one at Jubbulpore have been working with a small capital. The membership of these societies rose from 66 to 104 and working capital from Rs. 15,238 to Rs. 23,225. Sale of goods to members also increased from Rs. 33,682 to Rs. 42,088, but the profits went down to Rs. 535 (Rs. 936).

**Reserve Funds.**—The reserve fund of societies of all kinds amounted to Rs. 74,04,954 (Rs. 81,19,812). The reserve fund of the Provincial Bank amounted to Rs. 5,30,000 (Rs. 5,15,000), that of the central banks to Rs. 14,37,024 (Rs. 14,58,456) and that of primary and other societies to Rs. 54,37,930 (Rs. 61,46,356). The figure includes the reserve fund of societies under the liquidation which amounts to Rs. 29,64,038. Reserve fund constituted 6.2 (6.0) per cent of the working capital of central banks and 26.0 (24.9) of primary societies.

Out of the total reserve fund of the movement amounting to Rs. 74,04,954, a sum of Rs. 24,64,103 is invested in Government securities and post office cash certificates. The balance of Rs. 49,40,851 is mixed up in the working capital of banks and societies as detailed below:—

	Rs.
In Provincial Bank shares	.. 4,60,982
In Central Bank shares	.. 28,990
In Reserve Bank shares	.. 7,500
In working capital of shares societies and societies under the reserve fund scheme	.. 6,12,213
Uninvested	.. 38,31,166
<b>Total</b>	<b>.. 49,40,851</b>

### UNITED PROVINCES

Extracts from the Report of the Registrar of Co-operative Societies, Rai Bahadur Pandit Radhe Lal Chaturvedi for the year ending 30—6—1940 :—

**General Statistical Progress.**—The statement given in the next page will show the progress of the Co-operative Movement.

**Credit Societies—Central.**—The number of banks and banking unions remained constant at 70. The working capital increased from Rs. 102·19 to Rs. 108·15 lakhs. The percentage of owned to working capital fell from 39·1 to 37·2. The decrease is due to the fact that a number of banks had to borrow large sums towards the last quarter of the year to finance marketing operations. Deposits from individuals rose from Rs. 49·63 to Rs. 53·82 lakhs. Those from banks decreased from Rs. 4·06 to Rs. 3·92 lakhs. Deposits from societies rose from Rs. 8·37 to Rs. 10·28 lakhs. The increase is partly due to the care and scrutiny exercised in the matter of advance of loans by societies working exclusively or substantially with their own capital.

Borrowings during the year increased from 62·06 to 68·02 lakhs. Money borrowed by Central Banks from sister banks rose from 9·38 to 16·89 lakhs and lendings consequently rose from 9·69 to 15·87 lakhs. This is mainly due to the development in the volume of business consequent on the increase in the number of societies.

Advances to primaries rose from 41·35 to 44·60 lakhs. Total demand for the year (including overdues and postponements) was 57·71 as compared with 51·26 lakhs of the previous year. Recoveries from working societies increased from 35·14 to 42·94 lakhs. This puts the percentage of collections at 73·9, which is perhaps as high a peak as ever attained in any previous year. The percentage of collections from societies under liquidation was 18·2 against 11·7 of 1938-39. Recoveries from working and liquidated societies combined amounted to 69·2 against 62·5 of the previous year. Overdues fell from 16·38 to 15·86. Percentage of overdues to outstandings in working societies alone has come down from 41·8 in 1935-36 to 28·3 in 1939-40. Overdue interest decreased by 3·41 to

Type.	Number of Societies.				Number of Members.				Working Capital.				Owned Capital.			
	On		On		On		On		On		On		On		On	
	June 30, 1939	June 30, 1940	June 30, 1939	June 30, 1940	June 30, 1939	June 30, 1940	June 30, 1939	June 30, 1940	June 30, 1939	June 30, 1940	June 30, 1939	June 30, 1940	June 30, 1939	June 30, 1940	June 30, 1939	June 30, 1940
1. Central Societies—Credit	70	70	*5,864 †8,167	*5,867 †8,672	Rs. 1,02,18,835	Rs. 1,08,58,213	Rs. 39,98,087	Rs. 40,37,750								
2. Central Societies—Non-credit	117	188	14,031 *1,60,691 †2,252	14,548 *3,55,018 †3,403			11,10,535	26,14,043			1,66,850	5,18,253				
3. Primaries—Agricultural	10,026	15,034	452,865	712,426	1,35,07,333	1,37,77,748	69,94,728	76,39,916								
4. Primaries—Non-Agricultural	645	736	69,197	81,575	72,28,901	79,08,488	34,02,189	37,30,899								
TOTAL	10,858	16,078	699,036	1,166,970	3,20,65,604	3,51,58,492	1,45,61,864	1,59,26,818								

\* Individuals.

† Societies.

3.23 lakhs in working societies and from 3.67 to 3.33 in the case of those in liquidation.

**Land Mortgage Societies.**—There has been no fresh organisation of any land mortgage society for some time and the number continued to be 5. Membership rose from 632 to 701. Advances decreased from Rs. 49,985 to Rs. 26,830. Once loans have been made for a long period, the work for the succeeding years is very largely confined to collections. Outstandings increased from 1.73 to 1.80 lakhs. Overdues increased from Rs. 3,022 to Rs. 3,838 so that the percentage of overdues to outstandings works out at about 2 per cent. Recoveries rose from Rs. 14,852 to Rs. 19,281; profits on the working of the year amounted to Rs. 5,941 against Rs. 1,465 of the previous year. The principal reason for the stunted growth of the societies is lack of any agency for advancing long-term loans; the fall in the values of land is another subsidiary factor.

**Village Banks.**—The conversion of existing credit societies into multi-purpose societies, briefly described as village banks, was restricted to A, B and C class societies. Of 961, about half were due to conversion referred to above. These village banks are intended to tack on to credit, marketing, supply of agricultural implements and better living activities. So far marketing has been introduced in some and better living activities in others. It will take some time before they cover all the necessary ground.

**Agricultural Credit Societies—Unlimited Liability.**—As a result of the policy of organizing village banks, only 43 societies were registered for purely credit operations. The total number of credit societies, after excluding those that have been converted or liquidated, is 6,741. The membership remains practically what it was last year, in spite of the fact that about 568 are now shown separately as village banks. Average membership is 25.2 as compared with 23.7 of last year. Deposits held from members increased from Rs. 3.24 to Rs. 3.67 lakhs. This shows the growing confidence of members in their societies. With 568 societies classed separately as village banks, advances naturally dropped from Rs. 38.62 to Rs. 35.18 lakhs. Repayment, however, increased from Rs. 33.76 to Rs. 37.16 lakhs. Percentage of recovery rose from 48.7 to 53.5. Overdues including postponements were substantially reduced from Rs. 46.8 in 1937-38 to Rs. 43.8. Recoveries towards interest improved by about a lakh and overdue interest went down by a like amount. The working capital decreased from 115.30 to 108.27 lakhs; so also owned capital which dropped from 67.20 to 65.50 lakhs.

Needless to point out, the shrinkage in one case as in the other was due to conversion to which reference has been made already. The percentage of owned capital to working capital comes to 60.4 as compared with 58.2 of the previous year.

**Non-Agricultural Societies with Limited Liability.**—The number of societies increased from 208 to 239; membership similarly went up from 52,667 to 62,329. The working capital rose from 62.89 to 68.95 lakhs and the owned capital from 29.27 to 34.25 lakhs. Advances and repayments increased from 49.46 to 53.65 and from 42.05 to 48.31 lakhs respectively. Overdues at .87 lakhs were practically the same as last year. Deposits from members increased from 24.05 to 26.21 lakhs. Of 239 societies under this head as many as 203 belong to salary earners against 185 of last year. A condition precedent to success of

these societies is that its instalments of loans should be deducted by the disbursing officer from the monthly pay sheets of members. The progress would have been quicker if all the societies had enjoyed the same facilities as they do in other provinces.

**Non-Agricultural Societies of Unlimited Liability.**—The number of societies with unlimited liability increased by 11 to 280 and the membership from 7,036 to 7,452. Average membership per society comes to 28·7. Societies of this class are largely manned by weavers and petty traders. The working capital rose from Rs. 3·56 to Rs. 3·73 lakhs and the owned capital from Rs. 1·93 to Rs. 2·10 lakhs. Advances and repayments show moderate gains as compared with the figures for the last year. Overdues, however, went up from Rs. 114 to Rs. 125 lakhs. The total amount outstanding from members is Rs. 2·86 lakhs.

**Seed Stores.**—Partabgarh has 3 central and 3 primary stores; the latter are all unregistered. The total quantity distributed by them during the year amounted to 7,000 maunds. Bareilly with one primary and three central stores distributed 600 maunds. Moradabad has one central and five primary stores. The most important of the lot (Dhanura) distributed 1030 maunds. In Partabgarh farming of wheat, barley and sugarcane is carried on in blocks. Green manuring and urine preservation beds are common to a large number of societies. The Moradabad seed store supplied 104 chaff cutters to members.

**Industrial Stores.**—Central industrialists stores rose from five to eight and are located one each at Bara Banki, Etawah, Cawnpore, Agra, Basti, Azamgarh, Tanda and Gorakhpur. The manufactures cover a very wide field consisting of furnishing cloth, cloth for shirting and coating, gauze, jaconet, niwar, towels, sarees, dhurries and hosiery goods of cotton and wool, etc. The Mason Industrial Federation (Bara Banki) with a working capital of Rs. 22,215 made a profit of Rs. 2,713. Sale of cloth totalled Rs. 62,038. The Federation arranges for the sale of different varieties manufactured by its affiliated societies.

The Sandila Industrialists' Store handled goods worth Rs. 55,479. It supplied 45,000 yards of jaconet to the Kabul Government during the year and orders for 12,000 lb. of niwar have been placed with it by the Sholapur mills and a few firms at Cawnpore. It made a profit of Rs. 3,600. The Weaving and Sale Society, Sandila, has specialized in the manufacture of gauze, jaconet and bandage cloth and disposes of part of the stock through the store. It supplied during the year 155,155 yards of jaconet to Bihar and United Provinces Government and yet another 10,629 yards of gauze and 2,696 yards of bandage were supplied to hospitals. It made a profit of Rs. 1,896.

The Cawnpore Knitting and Weaving Society manufactures cotton and woollen hosiery goods and niwar. It made a profit of Rs. 1,772. The Etawah store, a concern of recent growth is developing on sound lines and made a profit of Rs. 1,647 during the year.

**Students' Stores.**—The number of such societies remained at 9. Of these the Udai Pratap College Store, Benares, dealt in goods to the value of Rs. 28,693 and made a profit of Rs. 1,102. There are no overdues so far. The other two stores that deserve mention are the Hindu School Scouts Store (Benares) and the City High School Store at Ghazipur.



**Weavers' Societies.**—There are 37 weavers' societies spread over ten districts, namely, Agra, Etawah, Bulandshahr, Basti; Gorakhpur; Azamgarh; Moradabad, Hardoi and Bara Banki. Members of a number of these societies sell their goods through stores which have been dealt with in the preceding paragraphs. Of the more important among these societies, mention may be made of the Carpet Makers' Society, Bara Banki which manufactured 900 qualins and sold 800 locally on a profit of Rs. 605. A number of new geometrical designs were introduced. The members of Ichauli Society (Bara Banki) manufactured goods worth Rs. 2,911 and made a profit of Rs. 116 on a sale of goods worth Rs. 1,000 at Kishenganj (Eastern Bengal). The Malawan Society (Hardoi) sold goods worth Rs. 2,000 and supplied 132 *thans* of hand-spun and hand-woven cloth to the Government Emporium. It also supplied niwar to a couple of firms at Cawnpore. The Katra Weaving and Sale Society (Bara Banki) works on factory lines. Members work on the Society's looms and get wages for manufacturing goods out of raw material. They manufactured goods worth Rs. 4,572 during the year.

The Blanket Spinning and Weaving Society, Najibabad, had a prosperous year. It manufactured 2,822 blankets and milled and finished close upon 5,000. Sales amounted to Rs. 18,599 yielding a profit of Rs. 5,362. This has reduced the previous losses by about half the amount.

There are 12 woollen societies in the Almora District and 3 in Naini Tal. Work is developing in Almora and membership comprises of 1,238 persons. The societies manufactured blankets, *kamlis*, etc., of the value of Rs. 2,339 and made a profit of Rs. 332 on the sale of half the stock during the year. Over and above this, the societies afforded employment to members on payment of wages. The work in Naini Tal is in its initial stages. In order to develop the work in hill districts, a hill inspector has been posted to Ranikhet for the first time.

**Fruit Cultivation.**—The Fruit Preservers' Co-operative Society, Allahabad, purchased machinery worth Rs. 3,500 during the year out of a Government grant made for the purpose. Another Rs. 4,000 is required before it can be utilized for manufacturing fruit products. The Fruit Crop Purchase and Sale Society, Malihabad, made a profit of Rs. 346 on a sale of stock worth Rs. 31,094. It has appointed 12 commission agents in Bombay, Bihar and Bengal.

**Bansmati Rice Co-operative Society, Dehra Dun.**—The Society continues to flourish. It disposed of 3,233 maunds of rice and made a profit of Rs. 930. Supplies were made to Burma, Assam and Karachi. The Society can attract deposits direct.

**Milk Supply Unions.**—Apart from the Lucknow Co-operative Milk Union, Ltd., Lucknow, and 13 milk societies affiliated thereto, there are 7 societies in Allahabad and one each at Benares and Unao. The last mentioned has not started work yet. Thanks to the generous grant from Government the Lucknow Union has an up-to-date equipment consisting of a cooling plant and cold storage. Besides a hand-driven machine for making butter, it owns a motor van for fetching milk from the assembling centre to the town. It is housed in a spacious building in a conspicuous part of the town. The Union derives its supply not only from registered societies, but also from members of 19 credit societies and people of 47 villages

selected for organization of primaries for supply of milk. The milk handled during the year amounted to 11,450 maunds, of which 1,835 maunds were turned into butter and ghee. The sales all told fetched Rs. 55,202. About 800 families in the town were supplied milk by the Union. Yet another 22 schools were supplied their quota in sealed bottles. The Union which employs 150 persons is steadily growing in popularity and in course of time it is expected to supply milk to all schools and hospitals. The losses suffered during the three years of its working amount to Rs. 5,000. Apart from the difficulties connected with fluctuation and uncertain supplies and dishonesty of carriers, the Union had to meet the freight and feeding charges to the tune of Rs. 1,700 in supplying improved cattle to members and a couple of hundreds in laying out an area under cultivation of lucerne grass. Uneconomic units have been abolished and the staff has been retrenched. It is hoped that loss will be wiped off during the course of two years.

**Khowa Scheme.**—A new scheme of converting milk of members into *khowa* and selling the product has been started recently at Rampur Garhwan (Unao). During the year, 18 societies operated in 32 villages. The members take their milk to a dozen centres where societies turn the liquid into *khowa*. Nine hundred and seven maunds of *khowa* were prepared out of 3,628 maunds of milk and the society made a net profit of Rs. 383-8. Over and above this more than 100 improved cattle have been already supplied to members.

**Ghee Societies.**—As a result of increase in Government grant from Rs. 12,500 to Rs. 25,000, the ghee work is forging ahead. Societies rose from 392 to 607 and membership from 9,301 to 12,579. There are six ghee sale unions one each at Meerut, Bulandshahr, Agra, Etawah and two at Mainpuri. Of the number, 546 societies are affiliated to the ghee sale unions referred to above. In view of the increasing facilities for adulteration afforded by vegetable ghee shops, suitable measures for testing of ghee have been taken, more particularly in Etawah where the work is heaviest. The societies there seal the tins in a manner that prevents adulteration in the course of transit. A few unions use only refractometers. The sales amounted to Rs. 2.15 lakhs yielding a profit of Rs. 50,361. Bonus paid to members amounted to Rs. 8,501. Efforts are afoot to open an agency at Calcutta for the Etawah ghee. The question of evolving a distinctive brand for co-operative ghee is under consideration.

**Cane Supply Societies.**—There are 66 central cane supply unions of which Gorakhpur claims the largest number, namely, 26. Of the primary societies again which count 839, Gorakhpur has 332. The primaries are mostly affiliated to central organisations which transact most of the work on their behalf. It is expected that decentralization will come off as soon as practicable. Excluding the figures for the Eastern Range which are not available, 1010.33 lakhs maunds of cane were supplied to factories during the year. The percentage of supplies came to 88.37 in the Western Range and 74.2 in the Central.

**Womens' Societies.**—There are 70 registered societies with a membership of 1,885 working in the Province. Thrift deposits amount to Rs. 6,791. There were 6 lady supervisors in charge of the work during the year. In order to improve the knowledge of the staff, a refresher class was held at Lucknow for about a month and a half towards the close of the year. Lectures were delivered on

co-operation, domestic science, maternity and child welfare, first-aid, hygiene and girl guiding. Recently a lady organizer has been appointed to improve the supervision of these societies. Compared with the Punjab, this Province is far behind in this line of activities.

**Housing Societies.**—The number remains unchanged at 21. Land including a garden and a bungalow measuring 16.23 acres was purchased at Jhansi for Rs. 18,000 during the year. Forty plots were demarcated. The development scheme included construction of a 20 feet wide road running round and through the tract, which is under construction. The Agra Society completed construction of 8 houses. The work in the rest is either at a standstill or requires no particular comments.

**Rural Development.**—Compared with 1938-39 the progress made by better living societies run by the Co-operative Department showed on the whole commendable progress. Acreage under improved wheat and sugarcane rose from 1.11 and 1.0 to 1.22 and 1.29 lakhs. Meston ploughs in use rose from 5,323 to 8,511. The three-roller sugar mills and other implements showed similar increase. The number of new wells constructed increased from 1,000 to 1,449; wells with parapets shot up from 260 to 1,925. The medicine chests distributed were 3,053 against 2,640 in the previous year. The number of *dais* trained to undertake midwifery rose from 1,554 to 1,780. The adult schools dropped from 437 to 364 largely for want of financial support. The amount at the disposal of the Department is much too small to expand this line of work adequately.

**Consolidation of Holdings.**—Consolidation work is in progress in 12 districts, of which Bijnor and Saharanpur continue to top the list. The number of societies rose from 147 to 182. Fifteen supervisors are working as a result of the Government grant amounting to Rs. 13,100. The area consolidated during the year amounted to 11,064 bighas; the number of plots on repartition was reduced to 1/13th of their number. The total area consolidated so far is 77,672 pacca bighas. The number of plots on repartition has been reduced to more than 1/10th. With the enactment of Consolidation of Holdings Act our activities have not come to an end. As in the Punjab, consolidation under the Act and on co-operative basis will go on in different areas side by side.

**The United Provinces Co-operative Union.**—Of the total membership of the Union amounting to 121, 87 are ordinary members and only 11 additional. *Ex officio* and nominated members account for 16 and 7 respectively. Important banks and central societies are now nearly all in. While Government grant to the Union for credit work remained at Rs. 75,000, grant for special activities such as ghee, consolidation of holdings, marketing of agricultural produce and dairy work was raised from Rs. 53,540 to Rs. 75,468. The total amount of contribution from banks came to Rs. 1,03,731. The expenditure on supervisors alone of all kinds amounted to Rs. 2,17,582-2-9 with the result that the income fell short of the expenditure by Rs. 7,435.

**Observations of the Registrar on Multi-purpose Societies.**—The question of the formation of multi-purpose as opposed to single purpose societies has recently come to the forefront all over the country. While it is only proper that the scope of activities should be extended so

as to embrace the outstanding economic needs of members, the limits should not be unduly stretched. The idea of turning co-operative societies into a sort of village republics charged with village administration and judicial work is full of obvious risks. We must not overrate the capacity of villagers. It can only grow by stages. The most handy combination is credit for all necessary purposes, supply of agricultural and domestic requirements of members and better living activities. As for sale and processing of agricultural produce, the ordinary village primaries should, as a rule, act as mere agencies to marketing unions which should be organized at headquarters of *mandis*. Opinion in the country is sharply divided as to whether such societies should be based on limited or unlimited liability. We have already switched the liability from unlimited to limited in a number of cases, but it would be best to stop at this stage and see how societies re-act to this change. From the point of safety, another alternative is to have both kinds of liability—unlimited for loans and limited for the rest.

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### COORG

**Review of the Chief Commissioner of Coorg, on the Report of the Registrar of Co-operative Societies, Mr. K. T. Uthappa for the year ending 30—6—1940 :—**

The co-operative movement is improving in general in all its aspects in spite of the unfavourable monsoon conditions which had had effects on paddy, coffee, orange and cardamom cultivation. The ryots also suffered to some extent on account of cattle mortality due to rinderpest and other diseases. Eleven new societies of different types were registered during the year while the registration of one was cancelled. 271 revenue villages out of 274 are at present served by the co-operative movement. The number of membership stood at 20,724 against 19,986 in the previous year. There was an increase in the share capital, reserve fund and working capital. The amount of loan granted to individuals increased from Rs. 3,11,181 to Rs. 3,98,306 and the percentage of collection from 56.45 to 59.39. The net profit earned was Rs. 34,364 against Rs. 33,346 in the previous year.

The Coorg Co-operative Central Bank is progressing steadily after the unfortunate crash of the Travancore National and Quilon Bank Ltd. A sum of Rs. 13,658 has been received as a dividend of 5 annas in the rupee from the liquidators of the defunct Bank. There was an increase in the membership, paid-up share capital, working capital and reserve fund of the Central Bank, but there was a decrease in the net profits. The percentage of collections also increased from 62.64 to 74.49. The work of the Supervision Board attached to the Bank is progressing and collection work has much improved as a result of amendment to the by-laws of the Bank to the effect that supervision fund will be a first charge on the amounts paid into the Bank by Societies. Considering the general trend of the world money market, it would be well if the Directors of the Bank reduce the rate of dividend from 8¼ per cent to a maximum of 6¼ per cent.

The Debt Conciliation Board formed from among the members of the Central Bank have continued to do good work in scaling down the debts during the year. A separate Debt Conciliation Board has been constituted under the Coorg Debt

Conciliation Act, 1940 (Coorg Act No. II of 1940) which will commence work from 1st January 1941. It is hoped that this Board will do more efficient work in the direction of scaling down the debts.

There was a slight increase in the number of affiliated societies, their working capital and number of members. Two agricultural credit societies were registered during the year. There was an appreciable increase in the amount of loan advanced to members and the percentage of collections also rose from 42.81 to 50.64 in these societies. The amount of net profits earned during the year increased from 23,142 to Rs. 29,460. It is laudable to see that some societies are spending their dividend and common good fund amounts on schools, construction of bridges, roads and village-cum-halls.

Some of the well-worked societies, such as Karmad, Betoli, etc., are being converted into multi-purposes societies by amending their by-laws and have done some work in the direction of joint purchase of household requisites and joint sale of paddy through the nearest loan and sale societies. Intensive propaganda has been carried on all over the province to impress on the co-operators the utility of multi-purpose societies.

Six grain banks were registered during the year and the registration of one society was cancelled. The work of these banks is generally satisfactory.

The working of the non-agricultural societies is on the whole satisfactory. Two new loan and sale societies, viz., Mercara and Bhagamandla cardamom loan and sale societies were registered during the year. As the Bhagamandla society did not function well, it is proposed to amalgamate it with the Mercara society. The number of members in the cardamom loan and sale societies was 57 and the share capital of Rs. 371. 20 candies of cardamom were deposited by members and the advance made to depositors was Rs. 7,645. The commission earned was Rs. 406.

The Honey and Wax Producers' Co-operative Society is doing good work in selling the honey and wax produced in Coorg throughout India. It opened a sale depot at Bombay in last November with a view to push through the trade in the up countries. But this was closed soon as the business turned out fell short of expectations. The distribution of honey in Bengal, Bombay and other principal centres in Northern India is entrusted to a reliable agent. Owing to these new ventures the society suffered a loss of Rs. 1,896. It is encouraging to note that the art of apiculture is improving under the auspices of the society.

The Milk Supply and Hides and Skins Co-operative Society is doing good work. The membership and share capital have increased. Government gave a loan of Rs. 700 in March last to further the activities of the society. But the society worked at a net loss of Rs. 346 mainly due to the fall in the price of hides and skin.

The working of other types of societies, viz., Lantana eradication societies, Better living societies, etc., were generally satisfactory. 47 acres of original growth and 263 acres of regrowth of lantana were removed by the former types of societies. The anti-malarial societies did not do any appreciable work during the year. Attempt should, however, be made to rehabilitate these societies with the collaboration of the Public Health Department.

A new type of society, namely, the Sanivarsanthe Rising Star Thrift Society, was started on the 24th May, 1940, for encouraging thrift among the younger

folks, with a membership of 57 boys of ages ranging from 10 to 20 years. This is the first time a thrift society of such a kind has been brought into existence. The total savings of the society amounts to Rs. 271-3-7. The Central Bank gave a free grant of Rs. 20 to augment the funds of this tiny institution. It is hoped that co-operators will come forward to form more societies of this type in other centres, ere long, as thrift is the very foundation of co-operation.

**The following are the concluding observations of the Registrar :—**

The progress of the movement in all directions is a matter of satisfaction to all the co-operators of the province. There has been marked improvement in membership, working capital and the recoveries of loans. Even in the non-credit side, the movement has made appreciable progress. The popularity and utility of the movement have been recognised by all classes of people. We cannot, however, rest content with the progress so far secured. We have to march ahead and rouse a thorough co-operative consciousness among the rural and urban, male and female population of the province, so that all money transactions, production and sale of all products in Coorg may eventually be carried on through co-operative institutions.

## **CO-OPERATIVE CONFERENCES AND MEETINGS**

### **SUMMARY OF THE PROCEEDINGS OF THE XX MADRAS CENTRAL BANKS' CONFERENCE, MADRAS, 20th July 1941**

The 20th session of the Conference of the Central Banks in Madras was held on Sunday the 20th July 1941 at the premises of the Madras Provincial Co-operative Bank, Ltd., Madras.

#### **Welcome Address**

In the course of his welcome address Mr. K. Seetharamiah Pantulu, President, The Madras Provincial Co-operative Bank, said that the Bank had been considering during the past two months the problem of the enormous sums it had been lending to the Central Banks for Loan and Sale Societies and it was feeling that the time had come when it should have its own inspectors to implement the work done by the staff employed by the Central Banks in regard to their transactions with the Loan and Sale Societies. He laid stress on the necessity of insuring the produce pledged and taking other precautionary measures to ensure security to the lender. He drew attention to the disparity between the loans granted against pledge of produce and ordinary seasonal loans to credit societies. In the year 1940-41, Rs. 92.12 lakhs were lent against produce while only 27.64 lakhs were disbursed as ordinary loans. He said that it affected the finances not only of the Provincial Bank but the Central Banks also by leaving idle funds for a portion of the year while there was rapid turnover in the rest of the year. He advised Central Banks to take stock of the situation in time and do their best to maintain due proportion between these loans. He dealt at length with the Reserve Bank's Circular regarding Remittance Facilities and requested the Registrar to take up the question with the Government and secure the same concession as the local Government of C.P. and Berar obtained for free remittance facilities for bonafide co-operative purposes for a period of three years.

#### **The following are the resolutions passed at the Conference:—**

This Conference resolves to request the Madras Provincial Co-operative Bank to lend short term loans repayable from the proceeds of next harvest or within one year as the case may be, and to lend medium term loans ordinarily for 3 years and in exceptional cases for periods of five years.\*

This Conference also resolves to request the Government to amend the intended draft amendment published in G.O. 1195 in Fort St. George Gazette, dated 3rd July, 1941 accordingly.

2. Resolved to request the government that they should bear the remittance charges which the Reserve Bank now demands from Co-operative Societies for affording such facilities in future.

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\* Speaking on this resolution, Mr. T. A. Ramalingam Chettiar, President, The Central Co-operative Land Mortgage Bank, observed that Land Mortgage Banks were not intended for ordinary agricultural credit and that they could not help the ryots for requirements under ten years.

3. Resolved that the Registrar of Co-operative Societies, Madras, be requested to move the Government and obtain necessary sanction for the Central Banks to include the undrawn portion of their cash credit accounts with the Madras Provincial Co-operative Bank in their resources against their outside liabilities.

4. Resolved that in view of the fact that the Supervision Fund of some of the districts is hardly sufficient to maintain the staff of such banks necessary for supervision of their societies and that as these Central Banks are meeting the deficits with great difficulty from out of their general funds, the Provincial Bank be requested to meet at least a portion of the amounts spent by the Central Banks, in this behalf.

5. Resolved that the Provincial Bank be requested to grant loans on forecast basis to Central Banks, with due safeguards and under conditions to be settled by the Executive Committee of the Provincial Bank, for financing ordinary societies so as to make money available to the borrowers in time.

6. Resolved that the Government be requested to remove restriction placed on investment of local boards' deposits with the Central Banks.

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#### THE SECOND CONFERENCE OF THE INDIAN SOCIETY OF AGRICULTURAL ECONOMICS HELD AT LAHORE ON 12TH AND 13TH APRIL, 1941

Rural reconstruction was the theme of the presidential address by Sir T. Vijayaraghavacharya, K.B.E., at the Conference. In its widest sense rural reconstruction, he said, includes all that a Government can do to ensure prosperity in rural areas, and particularly every effort it can make to redress the balance between town and country. In a slightly narrower sense, it includes all those activities which tend to increase the health and the income of those who live in villages and isolated homesteads, whether through the increase of facilities like education, communications, irrigation, credit and justice, or through the provision of particular assets like wells and schoolhouses, or through measures to check the operations of adverse forces, as in legislation for the relief of debt.

**Need for Co-ordination.**—The best work appears to have been done in countries where the co-operative society served as a link between the will to self-help through honesty and industry of the individual and the special knowledge and ability of outside experts. In the Punjab, the United Provinces and Bombay, the aim is to bring the efforts of the specialist departments to a focus in the village society by co-ordinating the policies of the departments at the centre and the activities of their officers in the districts and multiplying village societies of a suitable constitution and adequate enthusiasm. In many provinces there is a need for the greater co-ordination of expert departments, particularly those 'development departments which are immediately concerned with the welfare of the agriculturists.' This co-ordination is secured by the appointment of a single officer or of a committee.

**Role of Co-operation.**—The appointment of 'village guides' to serve as a link between the rural population and the officers of development departments has been advocated. The proper organization to awaken the enthusiasm and mobilize the energies of villagers is the co-operative society, if activity can be voluntary, and the panchayat if a minority has to be compelled in the interest of



the villagers as a whole. There is no need to multiply co-operative societies; joint work, joint responsibility and joint security are the contributions of co-operation to village welfare, and they can be secured for various purposes by a single organization. The business ability of the villager being limited, there should be paid secretaries for the larger societies, and village guides for every village. There is a great variety of useful enterprise which the societies can undertake, but there is no reason why a society should not make a wise choice of activities and gradually develop them into enduring improvements.

**Agricultural over-population.**—There are a number of outstanding problems which have to be tackled. The first is that several provinces suffer from a deficit of food crops. It is necessary for example to make the rice-eating provinces self-sufficient in respect of their food supplies without giving up industrial or money crops. This is possible through scientific research, intensive farming, improved seed, increased manure, extension of area under cultivation and new irrigation projects. One result of the increase in population (probably 400 millions at the recent census) is increased pressure on land for cultivation purposes. Most provinces suffer from agricultural over-population. Remedies suggested are emigration, industrialization, subsidiary industries, nationalization and agricultural colonization. The chief difficulty in colonization schemes is the want of definite knowledge about the extent and nature of the land fit for agriculture, but still unoccupied.

Another aspect of the rural problems is cattle insurance. Both from the point of view of cattle products and cattle labour, cattle are of great importance. The amount of capital invested in cattle is considerable and the ryot who loses his cattle by disease or other misfortune is frequently unable to replace them. One of the ways to provide against cattle mortality is insurance. The experiment in cattle insurance in Madras in 1919 was a failure. In Burma, out of 219 societies on paper, only six were active in 1938. Cattle insurance is one of the most difficult forms of co-operative effort. Firstly, statistics relating to cattle mortality are necessary to assess the actual premium rates, but they are not available. Secondly, the ryot should keep animals well and in good condition. The average quality of cattle is poor and insurance of cattle is not worth-while except in the case of pedigree stock, but in their case too the risk of loss through disease is great. Thirdly, there should be an organisation for the prevention and control of contagious diseases, and veterinary aid should be easily accessible and properly regulated. The insurance of cattle cannot be worked satisfactorily through private enterprise in existing conditions; the state alone can attempt a venture of this kind even as an experimental measure.

**Problems discussed.**—Khan Bahadur M. Afzal Hussain was the Chairman of the Reception Committee and extended a welcome to the delegates and members of the society. The Hon'ble Sir Manohar Lal, Finance Member in the Punjab Government, inaugurated the conference. A number of papers discussing rural problems such as the place of the village artisan in India's rural economy, co-operative marketing of agricultural products, the necessity of a producers' organization for developing the ghee trade in the Central Provinces, agrarian banking in India, moneylending legislation, factors affecting the price of rice, the war and agricultural prices, and crop planning were read and discussed. A special feature of this conference was that a number of prominent agriculturists and literate grantees took part in the proceedings.

The next Conference will be held in Poona during the Christmas holidays.  
An Executive Committee consisting of the following was then elected:—

<i>President</i>	..	Sir T. Vijayaraghavacharya
<i>Vice-President</i>	..	K. B. Mian Afzal Hussain, Dr. Sam Higginbotham, Dr. P. J. Thomas.
<i>Honorary Secretary</i>	..	Mr. S. K. Bedekar
<i>Honorary Joint Secretary</i>	. . .	Dr. M. B. Ghatge

*Members*

Dr. E. D. Lucas	Sardar Sahib S. Kartar Singh
Dr. A. I. Qureshi	Mr. D. R. Gatgil
Dr. B. K. Madam	Prof. J. S. Guleri
Dr. R. K. Mukherji	Prof. I. M. Kapur.
Dr. T. G. Shirname	

—*Indian Farming*, July 1941.

## EXTRACTS

### CO-OPERATIVE HANDLOOM INDUSTRY IN BENGAL

By

P. G. SEN,

*Assistant Registrar of Co-operative Societies, Bengal.*

Prior to the scheme sponsored by the Government of India for the improvement of the handloom industry, the Co-operative Department of this Province had brought into being several Co-operative Industrial Unions at some of the important weaving centres where the credit movement had found a footing with the identical object, but without the initial backing by the State in the outright grants—so essential for their successful operation—by providing the requisite expert technical advice, improved appliances, measures for standardisation of their products and marketing facilities. These Unions were managed by the non-official co-operators who were more or less associated with the credit movement. Having very little business experience and technical skill, these Unions generally worked as financing agencies of the weavers. It was not possible for these organisations to make any impression on the textile market owing to the products being below standard in quality but higher in price.

It was thought expedient that all the local weavers within the area of operation of these Unions, within or outside the movement, should first be properly organised and trained in the latest methods of weaving and dyeing before undertaking production for commercial purpose. Warned by past experience, the Department therefore first took up an elaborate programme of training in order to prepare the field for future production according to proper marketable standard by stimulating the productive activities of the demoralised weavers.

The annual grant from the Government of India was allotted to the Unions from 1935—36 according to the capacity of each Union and society to utilise them to the fullest extent. The distribution of the grant was made from year to year as the Department had to satisfy itself that the initial training and demonstration had the desired result and that the recipients were fully prepared and made fit to keep the constituent weavers fully and properly employed, and that the subsidies would and could be actually applied to such an extent and degree as to lead these Unions and Societies towards becoming self-supporting in the near future. The following table (A) will show the amount of grant available for demonstration and distributed during the years 1935—36 to 1939—40, as also the progress made in imparting training and demonstrations.

TABLE A

Year.	Amount received for demonstration	No. of demonstration looms and appliances supplied.	No. of demonstrations given	No. of weavers' received training*
	Rs.			
1935-36	4,400	15 Jacquard & semi-automatic looms	71	286
1936-37	..	20 Jacquard & semi-automatic looms	373	2,206
1937-38	..		665	2,322
1938-39	3,500	10 Automatic looms	742	2,144
1939-40	2,600	15 Automatic looms	820	1,684

\* Each year's figures include the common weavers who attended the training centres for more than one year.

Out of Rs. 2,830 spent for the purchase of dyeing equipments, small scale dyeing factories have been started at Bankura, Alamdanga, Naogaon, Chowmohani, Dum Dum and Nalta.

A good deal of preliminary work had to be undertaken to reorganise the weaving industry on a productive footing and a good portion of the grant to be spent on propaganda, demonstration and training. An analysis of the Government grant of Rs. 2,92,677 spent up to the year 1939-40 would reveal that 15·7 per cent of the total grant had been utilised in providing the Unions with working capital, 18·3 per cent for machinery, and equipment, 10·4 per cent for propaganda and marketing, 25·6 per cent as grant to Bengal Home Industries Association and the rest for the maintenance of a technical staff and meeting the cost of establishment, which worked out as 30 per cent of the total grant.

The total number of weavers forming the primary societies on 30-6-'40 was roundly 6,000, out of which 3,500 members have gradually availed themselves of the facilities offered by the scheme.

The total value of raw materials supplied to the weavers through co-operative societies and Unions and utilised each year is shown in the following Table B.

TABLE B

Year.	Value of raw materials consumed. Rs.	Value of finished goods sold. Rs.
1935-36	38,946	57,745
1936-37	48,781	68,869
1937-38	42,882	66,449
1938-39	41,515	87,022
1939-40	73,807	140,249

\* Includes goods produced from yarn obtained from other sources.

The raw materials are supplied to the Union by the Provincial Society according to demand which varies with the season. The finished products of superior standard are generally disposed of through the Provincial Society at the Calcutta market and the coarser textiles are consumed locally. It may be noted here that the improved varieties of textiles are produced according to the specifications of the Provincial Society under the direct supervision of the handloom staff attached to every Union and provided out of the Government of India grant. The extent of raw materials supplied and goods sold by the Provincial Society is indicated in the Table C below.

TABLE C

Year.	Value of goods sold.	Value of materials supplied.	Value of order secured by M.O.	No. of designs introduced by Desr.
	Rs.	Rs.	Rs.	
1935-36	55,000	23,745	14,038	40
1936-37	48,944	15,000	15,013	120
1937-38	49,910	1,443	19,521	150
1938-39	53,176	2,098	27,600	150
1939-40	55,238	8,142	—	110

It is, however, apparent from the statement that since the initiation of the scheme the Unions have been able to keep the weavers increasingly employed and that the production has multiplied at least twice at the close of 1939-40.

The textiles woven for local consumption were chiefly coarse napkins, mosquito nets, saris, chaddars, and in certain areas, lungis used exclusively by the rural people. Dacca and Bagerghat were the only centres which could produce textiles used by the classes. But these could hardly make any headway against the finer and the cheaper mill-made fabrics. The handloom staff employed out of the Government of India grant therefore began with training the weavers in using the improved appliances and producing finer fabrics not only in their old lines but in new varieties as well. The Designer attached to the handloom staff has so far introduced 570 new designs out of which 450 have been successfully adopted, and the Weaving Experts have assisted the local weavers in producing them according to the specifications supplied by the Marketing Officer. By the use of the improved appliances, where introduced, and the assistance of the Weaving Supervisors in the producing centres included in the scheme, the weavers have now been able to sell their finished products at local markets and at Calcutta through the Marketing Society without any difficulty. The cost of production having become lower than before and the quality up to standard, there is no longer any dumping of unsaleable goods either with the Unions or the Provincial Society. The Bagerhat Union has been supplied with a sizing and calendering machine and has thus been enabled to produce attractive textiles at a much lower cost than before, when they had to use mercerised yarn to secure the requisite degree of finish at a much higher cost.

The question of the supply of yarn at the cheapest possible rate has assumed considerable importance in view of its tremendous possibilities in determining the cost of production. At present yarn is purchased at wholesale rate by the

Provincial Society and the Unions from the Calcutta dealers and distributed to the primary weavers at cost price plus the actual transit charges. By this arrangement the weavers have got the benefit of the margin between the whole-sale and the retail rate, which comes to about three to five per cent. If the Provincial Society and the Unions were enabled to obtain their supply of yarn direct from the mills by eliminating the chain of middlemen already in possession of the market, the handloom industry will develop by leaps and bounds. The project requires a very large capital and needs careful attention with the other aspects of the main question of revival of the handloom industry.

These Unions were at the time generally working at a loss and a substantial portion of their capital was frozen. This position was mainly due to an extremely unsatisfactory productive capacity of the weavers and want of an expert staff on the spot to assist in and supervise production on business methods. The Table D below shows separately the amount of share capital, borrowed capital and its sources, Government grants or advances on account of working capital received, by the Unions and societies.

TABLE D

Name of Union.	Paid up Share Capital.	Loans and deposits held at the end of 1938-39.			Working capital from Govt. of India grant.
		Prov.	Govt.	Others (including Prov. Co-op. Bank)	
	Rs.	Rs.		Rs.	Rs.
1. Prov. Society ..	5,050	28,750		....	20,000
2. Alamdanga (recognised) ..	56	....		....	4,000+2,000
3. Bankura ..	10,383	....		40,196	4,000
4. Dacca ..	1,11,156	....		4,38,878	6,000
5. Chittagong (recognised) ..	130	....		....	3,000
6. Chowmohani ..	8,316	....		52,106	1,000
7. Naogaon ..	5,850	....		2,65,553	2,000
8. Nalta (Est. in 1938) ..	520	....		5,000	2,500
9. Dum Dum (Est. in 1938) ..	86	....		2,044	3,386
10. Bagerhat ..	92,521	....		97,197	....
Old ..	59,799	Old ..			67,197
New ..	32,722	New ..			30,000

In regard to the possibilities of the weaving societies or Unions raising their capital independently of Government grants and advances, the Table D above

shows that associations were able to secure the requisite working capital but could not utilise the same successfully owing mainly to the difficulties mentioned above.

So long these abnormal conditions persist, these societies will have to depend largely on the subventions by the State for their future operations.

In distributing the Government of India grant, the possibilities of each union for future improvement were carefully kept in view and those which were considered to be hopeless of recovery were left out of consideration. As a matter of fact, the Dacca, Chittagong and the Alamdanga Unions were wound up for these reasons and so far, three new unions were formed in these localities for operation with a clean state. It is therefore gratifying to place on record as a result of the business done with this grant, no loss has been incurred any where and consequently no bad debts.

The Bankura and the Bagerhat were the two typical producers' unions and had already made a name in the market but nevertheless worked at a loss. The largest number of looms were supplied to the members of the Bankura Union and are being worked properly under the supervision and guidance of the local handloom staff. The Bagerhat Union which has worked on a factory basis has been provided with a sizing and calendering plant, as it is the only Union at present which can utilise them with profit.

In all the areas taken up by the handloom staff the local weavers have retrieved their lost craftsmanship and are beginning to appreciate the benefits of co-ordinated production. There is, therefore, no doubt that the new movement has started well but in view of the uncertainties of the present market and growing competition outside, it needs careful piloting for another term so that the newly revived industry can hold its own independently. In order further to accelerate the progress, operations involving a larger capital outlay and the application of improved weaving appliances on a more extensive scale are called for. When these are made available, all the Unions and societies can be expected to be self supporting in another five years, though the maintenance of the special staff and assistance of improved appliances will have to be continued further, according as the position at that time will justify.

The total amount made available so far out of the Government of India Grant for the supply of improved appliances was Rs. 10,500 exclusive of Rs. 19,000 for two sizing and calendering plants. The former amount was utilised in supplying improved looms and appliances to weavers on hire purchase system at a cost of Rs. 75 each, repayable in two years. So far, 93 improved looms have been supplied under this arrangement among the weaver members in Dacca, Bankura, Naogaon and Alamdanga areas and also to the Women's Co-operative Industrial Home, Nalta Co-operative Industrial Union and Dhanikhola Milan Samaj at Mymensingh. Besides, the Bagerhat, Naogaon, Alamdanga Unions and the Women's Co-operative Industrial Home have each an annexe for weaving demonstration as a permanent feature where 4 to 10 improved looms have been installed for the benefit of the weavers. And finally looms have been allotted to such weavers as have been fully trained in their use in areas where finer textiles are produced.

It may be mentioned here that in this Province the quality of fabrics varies in different producing centres, and while some weaving centres are reputed for finer fabrics, other areas have scrupulously adhered to weaving coarse textiles

for several generations. The distribution of improved looms was thus restricted for the time being to areas where the weavers actually produce, or could easily be trained to produce, improved varieties of fabrics with such looms.

—*The Bengal Co-operative Journal.*

EXTRACTS FROM THE REPORT OF THE SUB-COMMITTEE  
ON THE HANDLOOM INDUSTRY

(Appointed by the Madras Handloom Weavers Provincial Co-operative Society,\*  
6—1—1941)

**The Government of India Scheme.**—The handloom industry in this Presidency received an impetus under the Government of India Subvention Scheme introduced in the year 1935. Prior to the introduction of the scheme, there were only 39 weavers' societies in this Presidency. All of them except two (Coimbatore and Salem) were merely credit societies and even these two survived on account of the subsidies placed at their disposal by the Government of Madras. With the help of the subsidy granted, the Provincial society has organised production and sale and the progress made during the quinquennium is given below:—

	1935-36	1936-37	1937-38	1938-39	1939-40
1. No. of primary societies affiliated to the Provincial society at the end of the year ..	43	62	97	143	165
2. No. of members ..	2,538	3,735	6,253	9,054	10,935
3. Paid-up Share Capital Rs.	40,394	47,009	73,934	1,04,095	1,27,400
4. Value of finished goods sold Rs.	1,00,074	2,44,245	5,65,216	8,39,063	10,33,026
5. (a) Net profits earned by some societies Rs.	2,320	3,172	10,672	18,554	34,321
(b) Net loss incurred by other societies Rs.	7,012	7,481	10,270	32,856	33,584

\*On the last day of the co-operative year 1940-41, there were 327 members on rolls of the society, composed of 181 primary weavers' societies. 87 individuals, 49 co-operative institutions, 9 firms and 1 institution, with a paid up share capital of Rs. 63,425 as against Rs. 41,930 on 30—6—1940. During the financial year 1940-41 a subvention of Rs. 98,888 was drawn by the Society and a sum of Rs. 92,687 was spent. On 30—6—41 there were 12,843 members in the primary societies with a paid-up share capital of Rs. 1,48,448. The sales effected by all the affiliated societies during 1940-41 was Rs. 12,24,136 against Rs. 10,33,026 during 1939-40.



**Progress not satisfactory.**—The progress, though steady, cannot be considered to be satisfactory. A sum of Rs. 3·25 lakhs was spent from the Government of India grant up to 1st January, 1941 but the number of looms benefited was only 5,257, an insignificant fraction of the total looms in the Presidency, which number 2,50,000. Judged by the sale of cloth manufactured and sold, the results cannot also be said to be encouraging. The total value of cloth sold up to 1st January, 1941, viz., Rs. 33·61 lakhs, is hardly 10 times the subsidy spent. A glance at the statement showing the financial position of the societies reveals the drawbacks in the working of the societies. The balance sheets of 72 societies disclose a loss aggregating to Rs. 33,584 at the end of 1939-40. The share capital of 98 societies is still below Rs. 500 and only 17 societies have built up reserve fund exceeding Rs. 100. In 73 societies the number of looms is less than 25.

**Revival.**—In the case of societies which have 60 looms and more, we suggest that a Junior Inspector of the Co-operative Department may be deputed to work as Secretary. The cost of each Inspector (revised scale) is about Rs. 60 per mensem and it can be met from the subsidy of Rs. 60 granted to these bigger societies. 20 societies of this class are in a position to employ Junior Inspectors as paid Secretaries. Into the next category fall 23 societies with looms between 40 and 60. Competent non-officials may be appointed as paid Secretaries on a salary ranging from Rs. 40 to Rs. 50 per mensem. As regards the societies working with looms between 25 and 40, whose number is 47, Managers may be appointed on a salary of Rs. 25 to Rs. 30.

**Organisation of new societies.**—In view of the fact that a considerable number of big weaving centres are not served by Co-operative Societies, we recommend that fresh societies may be organised wherever possible. The total number of looms in the several districts of the Province is Rs. 2,97,229. The number of Co-operative Societies at present working is 163 and the number of weaving centres with 200 or more looms where there are no Co-operative Societies is 114.

**Conditions to be fulfilled.**—We are of the opinion that as a rule no new society should be organised with less than 50 looms in urban areas and 25 in rural areas; a minimum share capital of Rs. 750 in urban and Rs. 375 in rural areas should be forthcoming before starting societies.

## FINANCE

A careful examination of the problem forces on us the conclusion that want of finance is to a large extent responsible for the present unsatisfactory state of production. A loom on an average produces goods worth Rs. 30 per mensem and the 5,257 looms at work in the societies during the year 1939-40 should have therefore, produced goods worth about Rs. 19 lakhs, while actually the value of goods produced was only Rs. 10·03 lakhs. It is for this reason that a member now generally gets work only for about 16 days in a month. Even this would not have been possible, but for the assistance given by the mills which supply yarn on 60 days credit. The process of converting yarn into finished goods and selling the stuff ordinarily takes 4 months. A weaver with one loom, therefore, requires on an average an advance of Rs. 120 during the 4 months in the shape of yarn and wages. In other words, even the limited number of 5,257 looms now at work, require a minimum capital of about Rs. 6·30 lakhs. As against this, the Provincial society

and the primaries have been able to mobilise only about Rs. 3.08 lakhs, including the loans given by the Central Banks to the primaries as shown below:—

	Rs.
1. Paid-up share capital of the Provincial society ..	41,930
2. Advances from Government ..	30,000
3. Loans due to the Central Banks ..	1,34,294
4. Paid-up share capital of primaries, after deducting the share capital invested outside ..	1,02,504
<b>Total</b> ..	<b>3,08,728</b>

It is mainly for want of adequate finance that the weaver starves for a fortnight in a month.

**Share Capital.**—The paid-up share capital of the Provincial society and of primaries should be increased. Although the authorised share capital of the Provincial society is Rs. 5 lakhs, it could collect so far only Rs. 42,535. The Provincial society should, therefore, raise its share capital to Rs. 2 lakhs within a period of 6 months.

In the case of primary societies, the present paid-up share capital of Rs. 1,27,400 is not adequate. At the rate of Rs. 25, which will entitle a weaver to borrow the money required to work a loom, i.e., Rs. 120, the share capital of the nearly 11,000 members of the societies should be about Rs. 2,75,000.

**Borrowings.**—The Madras Provincial Co-operative Bank has given to the Provincial society an advance of only Rs. 25,000 and even this on the charge of the floating assets. The Provincial society is even now eligible to borrow more than 2 lakhs of rupees. Similarly, the Central Banks should also finance the weavers' societies to a reasonable extent. Financial assistance from the mills should be obtained in the shape of yarn on a much larger scale.

The financial needs of the handloom industry may be summed up under 3 heads:—

- (a) money required for raw material,
- (b) wages,
- (c) financial accommodation till the goods are marketed. As a rule, weavers' societies should look to the local Central Banks for finance. There is at present some justifiable nervousness on the part of the Central Banks. The Central Banks will, however, sanction loans to societies on the basis of their owned capital up to the limit laid down in their by-laws, if they are run on proper lines.

## PRODUCTION

**Standardisation.**—We are of the opinion that production should be regulated by the Provincial society in order to ensure uniformity regarding texture, colour, etc. This will, to a large extent, facilitate standardisation and in addition enable Provincial society to regulate the supply in relation to demand.

**Cost of production.**—The Government of India scheme aims at bringing down the cost of production to facilitate the marketing of handloom fabrics. Raw material should be purchased at wholesale rates. The weavers should be paid reasonable wages, with due regard to local rates, workmanship, etc. Payment of daily wages should be discouraged and wages on a piece-work basis should be paid. Care should be taken to prevent wastage and pilfering.

**Finishing.**—We are of opinion that handloom cloth requires finishing if it is to penetrate markets and compete with mill products. Some varieties like shirtings, coatings and dhoties in particular require bleaching and calendering.

**Purchase of raw material.**—As cotton yarn constitutes the bulk of the requirements of the handloom weaver, its purchase should be regulated with great care. At present, the Madura, Pankaja and Pandalapaka mills have been supplying yarn to the societies and allowing credit up to 60 days.

Sometimes the societies have to pay a higher price for the yarn purchased direct from the mills on account of the reduction effected by yarn merchants. In order to remedy this, the markets should be closely watched and the requirements of the societies purchased from the yarn merchants themselves when they sell at cheaper rates.

**Dyeing Factories.**—One of the defects noticed in the co-operative handloom industry to-day is in regard to the colours used. In some cases, colour fades quickly and this creates a very unenviable position in the market for the products of the weavers' societies. In their scheme the Government of India have provided for starting a dyeing factory in this presidency.

## MARKETING

**Emporiums.**—The Provincial Society has in the past made some attempts to market the cloth produced by primaries, and has opened 8 sales emporiums, 2 in Madras and one each at Calicut, Trichinopoly, Rajahmundry, Vellore, Bezvada and Bellary. They sold goods during the last 4 years ending on 30th June, 1940 to the value of Rs. 3,14,805 and incurred a total expenditure of Rs. 27,296. For every rupee worth of cloth sold, the Provincial society incurred an expenditure of 1 anna 5 pies, excluding the commission allowed to emporiums on their sales. The marketing of cloth through the emporiums has thus been a very costly affair. They should, therefore, be reorganised.

**Sales through merchants.**—It is needless for us to observe that the Provincial society should have an efficient marketing organisation. The question to be considered in this connection is whether the Provincial society should undertake the marketing of goods through its branches and agents or requisition the services of wholesale merchants to market finished products. That our present methods have not been a great success is explained in the preceding paragraphs. The Government of India scheme does not exclude dealings with wholesale dealers of cloth. In fact the figures for the year 1939-40 disclose that cloth to the value of Rs. 2,37,238, or roughly 25% of the total production, was actually sold to merchants in this Presidency. We are told that there is some difficulty in entering into a suitable working agreement with business houses. Any wholesale dealer of repute would

insist on regular supplies of goods and it is to ensure this that we have suggested that the entire production should be controlled by the Provincial society. When the business of the society is remodelled on the lines indicated in this report, we do not anticipate any great difficulty in meeting the reasonable demands of merchants.

**Terms of Agency.**—We recommend that wholesale merchants may be approached to market the handloom cloth on the following conditions:—

(1) The wholesale dealer should guarantee the sale of cloth to a specified extent;

(2) He should be paid a reasonable commission;

(3) He should also be given an office allowance in proportion to the business guaranteed;

(4) He should offer adequate tangible security or banker's guarantee;

(5) The account of merchants in so far as they relate to the sale of cloth be open to inspection by the officers of the Provincial society and of the Co-operative Department.

It is not only the merchants that should be offered these facilities, the sales societies, stores and big Urban Banks should also be invited to market the goods of Co-operative societies on similar conditions.

**Outright purchases.**—Unless the circumstances warrant it, outright purchases should not be encouraged. When it is proposed to embark on large-scale business, goods have to be supplied to wholesale merchants, local bodies and other institutions according to their requirements, previously agreed upon. The primaries which manufacture cloth may sometimes find it a hardship to sell their stuff on a consignment basis when they are able to find a ready market. In order to ensure a regular supply, we are inclined to think that the Provincial society may sometimes have to make outright purchases. Such outright purchases should not, however, exceed 50 per cent of the paid up share capital of the Provincial society.

**Marketing in Urban areas.**—As a result of the experience gained in running the depots, more depots may be opened; the idea is that in 5 years every district should have at least one emporium. The cost of running these emporium should be met from their gross profits. A competent person with a practical knowledge of marketing, etc., should be placed in charge of each of these depots and called a Marketing Officer. In order to attract suitable men, a reasonable salary, not exceeding Rs. 100, should be paid to the Marketing Officer and he should be asked to guarantee sales to the value of on an average Rs. 10,000 per mensem. The Marketing Officer should also be the Manager of the depot and he should be assisted by one or two salesmen.

**Marketing in Rural areas.**—Large quantities of handloom cloth are sold in 'shandies' and it is, therefore, necessary to market the finished products of societies at such 'shandies'. Even assuming that on an average fifty rupees' worth of goods are sold at each of the weekly 'shandies,' whose number in the Prsidency is at least 250, the total sales would amount to Rs. 6½ lakhs. The services of the sale societies may be requisitioned for this. Arrangements may also be made in

rural areas with the help of the local co-operative societies to distribute cloth on the indent system. Rural co-operative stores may be asked to stock and sell cloth. Co-operative stores for labourers can with advantage undertake the sale of cloth, as has been successfully done at Madura.

**Subvention to assist marketing.**—We have considered the suggestion that a portion of the subvention may be applied to subsidise societies which sell cloth on a large scale from approved societies and that a percentage of the Government of India subvention may be ear-marked to reduce the selling price, if necessary, of standard (or to-be-standardised) lines. A similar arrangement is in vogue in the Bombay Presidency; under the Government of India scheme, a provision of Rs. 2,000 a year is made for each of the bigger Industrial Associations to meet losses in working on account of bad debts, depreciation, etc. We are of the opinion, that this proposal can with advantage be given effect to. This is one of the most successful ways in which business has to be developed in European countries as well as in India by big business houses. The amount set apart for this will, of course, depend upon the availability of funds.

**Supervision and control.**—In order to run the scheme on sound lines, a large measure of control should be vested in the Provincial society. The Depots should be directly controlled by the Provincial society, which will also regulate production. It should not hesitate to refuse a subsidy to a primary society which does not carry out its instructions.

**Special varieties—Lungies.**—Lungies made from coloured warp and weft yarn are chiefly produced in the districts of Tinnevely, Trichinopoly, Tanjore, South Arcot, Chingleput, Chittoor and Kistna. They are exported in large quantities to the Straits Settlements, Ceylon, the Federated Malay States, Java, Sumatra and Burma. The number of looms engaged in this Presidency in the manufacture of lungies or Kailies is calculated to be over 15,000. There are violent fluctuations in exports. The exports amounted to 35 million yards in 1923-24, but fell to 6.6 million yards in 1934-35; it has again risen to 28.6 million yards in the year 1939-40.

The chief cause for the decline in the export trade has been the competition of cheap Japanese power-woven lungies; it has also partly been due to heavy taxes on textile goods imported into the countries referred to above.

The merchants have agencies at important places of manufacture and supply yarn (including coloured yarn) to the weavers through agencies. In some places the raw material is distributed through the master-weavers. Wages are paid to them in advance and cloth is delivered to the agencies or merchants. These merchants at Madras export the goods to different places.

**Madras Handkerchiefs.**—Madras Handkerchiefs are produced from grey and coloured warp and weft yarns. These are chiefly produced in the districts of Madras, Chingleput, Nellore and Chittoor. They are first exported to London and from there re-exported to West Africa and the West Indies. The exports during the past three years are given below:—

Year.	No. of pieces of 8 yards each.	Value. Rs.
1937-38	1,412,949	51,31,247
1938-39	646,236	18,19,293
1939-40	778,634	28,17,048

A few firms in Madras have in recent years established direct business relations with firms in Africa. The fabrics are very popular among the Indians in West Africa, who use them as dhoties and headwear.

The firms in Madras which deal in handkerchiefs employ specialists as designers. The exporting houses do not afford continuous employment to the weavers throughout the year. During the slack season, the weavers are forced to drift for themselves or take to the production of some other varieties of cloth saleable in the local market.

**Power-loom competition.**—The principal exporting firms get their goods made through their agents who supply yarn to sowcars (middlemen). These middlemen undertake dyeing, warping, etc. and supply the warps to the weavers and take back the cloths by paying them wages for piece-work. There are also individual weavers who take the yarn direct from the exporters and supply the goods at certain contract rates. At present, Madras Handkerchiefs, plain, are supplied by the middlemen at rates ranging from Rs. 2-10 to Rs. 3 per piece of 8 yards x36". The wages required for winding, warping and sizing paid to the weavers are Rs. 2 to 2-8 for 2 pieces of 8 yards each.

**Indent System.**—We have considered how the goods produced by the Co-operative societies may be marketed and the best method we would recommend is the indent system. The Provincial Weavers' Society should arrange for the supply of goods on the strength of indents received from merchants. On receiving the orders of the exporting firms, the Provincial society will have to arrange for production within the prescribed time. Against possible losses which might arise on account of the fluctuations in the price of yarn, the Provincial society may on receipt of orders, enter into an agreement with yarn dealers for the supply of the required quantity at a specified rate. As soon as an indent is received, the Provincial society should purchase yarn and distribute it among the weavers, who would be required to produce cloth according to specification and receive wages for their labour. Before accepting the offer, the Provincial society should of course work out the cost of production and add a reasonable profit. Under the scheme there can be no over-production and the risk is comparatively negligible.

**Education.**—We consider that the work of bringing the younger generation of weavers under the influence of modern methods and of initiating them early into the use of improved appliances is of vital importance. The Industries Department with a view to disseminate a knowledge of improved methods of appliances started peripatetic weaving parties in 1913.

**Experts on the Board of Management.**—We have very carefully considered a suggestion made regarding the inclusion of experts in the Board of Management of the Provincial society. It has been pointed out that the business side of the Pro-

vincial society has not been properly developed and that one of the causes for this is the absence of a sufficient number of suitable businessmen and experts on the Board of Management. We entirely agree with this view and feel that a change in this direction is imperative.

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EXTRACTS FROM THE MEMORANDUM SUBMITTED BY THE SOUTHERN  
INDIA CHAMBER OF COMMERCE, MADRAS, TO THE HANDLOOM  
FACT FINDING COMMITTEE

**Present difficulties of the handloom industry and remedies.**—Something must be done to prevent the huge waste of time which the weaver is suffering on various accounts. For obtaining yarn whether on credit or on cash, sometimes he has to go long distances and this occurs very often during a month. Then yarn is to be sized by himself and family, warped by himself and family and then the finished cloth is to be sold by himself and family. All these processes mean a lot of time wasted in going from one job to another at odd times. Instead of that if the handloom weaver is provided with readily sized and warped yarn and the finished products are taken over for sale by an organisation it would mean a great deal of saving in time and also money. Probably the introduction of electricity would make for greater saving in time, increase of production and lower the cost to the consumer. This would increase consumption of goods and probably avoid any unemployment that may otherwise occur. There is the added advantage of increased production and increased profit for the family which can then run more than one loom.

One important handicap of piecegoods is the high railway freight that is prevailing. Mills have the advantage of buying cotton in a big lot and selling cloth in a big lot, so that wagon load freight will be available to the mills while handloom weavers have to send small parcels at heavy cost. The cheap kinds of cotton cloth are classed along with costly woollen and artificial silk goods at 4B-R|R and 4-0|R. The Railways quote the above rates for pressed bales which are steel-wired or for goods packed in boxes and cases, while handloom cloth is mostly coming in gunny packages not pressed or steel hooped, and therefore are subject to the higher rates of 6A-R|R and 6-0|R so that the handloom product is handicapped by higher railway freight. Parcels booked by recognised institutions dealing in handloom cloth at all stations should be given the benefit of lower freight as near as possible to the special rates which the wagon loads of mill cloth are getting between specified stations.

It is stated that the existence of too many intermediaries is responsible for the enhancing of yarn price to the weaver almost to the extent of 4 as to 8 as per 10 lbs., and that this disadvantage is further worsened by the handloom weaver having to handle his goods for sale, as there is no permanent selling organisation in this country thereby adding to the cost of the cloth to the consumer. Is the wholesale dealer or the commission agent merely helping to enhance charges and not serving as a necessary link in the chain of transactions? That is not the case. Unless there was an economic necessity for the middleman he would not have come in and survived so many years as an inseparable

factor in the economic framework of the handloom industry. The wholesale yarn dealer has hardly any acquaintance with the local needs nor is he fitted to grant credit to individual weavers, or to establish an organisation for distribution of goods on credit or for collection of outstandings. He is only interested in the wholesale purchase of yarn from mills and wholesale disposal of the yarn to his approved dealers and commission agents. Only such latter dealers and commission agents have personal contact with the weavers and have knowledge of local conditions and have the necessary equipment and organisation for giving the goods on credit, watching production, and collecting outstandings. These dealers are sometimes the village sowcars and if there is scope to eliminate a link, it is the link of the retail dealer or village sowcar. The Co-operative Societies may well take over their work in a large measure than now. Even they can work only on certain margins of profit. Probably the Department would restrict the margin of profit of the Societies both on yarn as well as on the cloth which they realise from the weaver. There may be some slight advantage to the weaver on that account but the Societies have to be well financed so as to extend credit of at least Rs. 50 to a weaver to make him an independent unit. If they are poorly financed as they are at present there is no hope of a real financial network of organisations for purchase and sale being established.

This Chamber is not agreeable to the reservation of production of sarees and dhoties to handlooms; they form the largest single section of mill production at present and handlooms cannot cope with the production, the limits of the buying power of the masses or in such larger quantities of a standardised uniform quality. Such ill-advised reservation will only drive business into foreign hands. Similarly this Chamber is of opinion that reservation of lower counts to handlooms will be very unwise. It would discourage the production of those counts of yarn in the mills thereby giving scope to foreign imports. The handloom cannot account for all the short staple cotton that is now consumed in Indian mills. The present production in mills of tent cloth, drills, jeans, khadi, table cloth and towels is on low counts of yarn and it is bound to receive a rude setback which cannot be relieved by the handloom at all, thereby leaving the door wide open to foreign imports.

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#### HANDLOOM INDUSTRY IN C. P. AND BERAR

**Extracts from the Quinquennial review of the Textile Expert to the Government of C.P. & Berar of the working of the scheme for the development of the handloom industry in C.P. & Berar with the Government of India grant-in-aid.**

The scheme for the development of the handloom industry of this Province with the Government of India grant-in-aid consisted of the establishment of a central weavers co-operative society at Nagpur with the following objects:—

- (1) to purchase and stock yarn, silk and other materials required for weaving cloth;
- (2) to issue yarn, silk and other materials to the members and sell cloth made by them;
- (3) to improve the moral and material condition of the members;



(4) to create habits of thrift, self-help and co-operation in the members of the society;

It was also provided in the scheme to start weavers' co-operative societies in other centres of the province. The central society under the name of C.P. & Berar Weavers' Co-operative Society was registered on the 3rd December 1934 and began to function from February 1935. A few months later i.e., in June 1935 a branch society at Kamptee was opened. The financial year of the society closes on 30th June and the review of its working given below relates to the period from the time of its starting the work to 30th June 1940.

The Government of India grant which was made to this province was divided into two sub-heads.—(1) loan for working capital and (2) grant-in-aid for working expenses. The total grant-in-aid for five and half years ending 30th June 1940 was Rs. 1,18,100. Out of this amount a sum of Rs. 60,915 was for working capital of the society and from this a sum of Rs. 50,000 was advanced to the society according to the agreement entered into between the Government and the society while the balance of Rs. 10,915 is undrawn. The remaining sum of Rs. 57,185 under the sub-head of grant-in-aid was given to the society as a grant for its working expenses.

The central society at Nagpur served a dual function, i.e., it was a manufacturing society for producing standard goods and was responsible for marketing them as also for organising, managing and financing societies in the province. The method of working followed in manufacturing goods was that raw materials required for the manufacture were purchased at as cheap rates as possible consistent with the quality of materials required for the manufacture of standing varieties. The raw materials, i.e., cotton and silk yarn were dyed through reliable dyers and issued to members on credit for weaving. The members were supplied with designs and instructions were given with regard to the manufacture of cloth. Wages for weaving were fixed according to the raw materials used and the designs woven were so based as would leave a reasonable remuneration to the weaver. Paid supervisors were engaged to see that society's materials were not substituted and that weavers brought back the woven pieces regularly. After the woven pieces were brought by weavers they were examined for their quality of weaving and dimensions and the weavers were paid their wages at the pre-fixed rates. The cloth was then marketed through the society.

Manufacture of cloths through the Kamptee Branch of the Society was discontinued and the members were supplied with raw materials on credit. It was arranged that they were to refund the cost of these materials after the sale of cloth and take fresh supply of the raw materials.

The number of members on roll in the first year was 144 which increased to 419 towards the close of the year under review as shown below:—

1935	144
1936	287
1937	373
1938	380
1939	404
1940	419

Out of the 419 members, 308 were of the Nagpur society and the remaining 111 of the Kamptee branch. It may however be stated that many out of the number were defaulters. On an average less than one third the number of the members on roll were on actual work of the society.

The work of the Nagpur society was restarted towards the end of 1936 and is being steadily continued. Efforts were constantly made to produce new patterns and designs through the help of a designer of the textile section. Hundreds of new patterns and designs were produced so far. They enhanced the reputation of the society. The patterns are copied by outside weavers, who find better market for their cloth. Besides manufacturing the usual type of Maharashtra sarrees commonly woven by Nagpur weavers the society wove a large number of varieties in up-to-date designs to suit the country markets and thus created a demand for Nagpur goods in provinces outside Maharashtra. Besides sarrees and dhoties in the manufacture of which the society has gained considerable reputation in and outside the province other materials such as curtains, purdahs, bed-spreads, table covers, upholstery materials, pugree cloth, coating etc. were also woven and Government and outside orders secured by the textile section were executed by the society.

During the period under review, raw materials to the total value of Rs.1,37,795 were purchased by the society. The value of raw materials issued to members of the Nagpur society for manufacturing purpose and supplied to other societies and institutions was:—

	Rs.
Nagpur society members ..	81,892
Kamptee Branch ..	24,218
Chindwara ..	9,218
Umrer ..	8,342
Chanda ..	4,228
Government Weaving Shed and other institutions ..	5,604
<b>TOTAL ..</b>	<b>1,33,502</b>
 Stock at the close of the year ..	 4,293
 <b>GRAND TOTAL ..</b>	 <b>1,37,795</b>

Wages paid to members for the manufacture of goods including those paid for preparatory processes amounted to Rs. 38,409 besides the sum of Rs. 10,162 paid for dyeing charges for dyeing society's raw materials. The total sales of finished goods amounted to Rs. 1,04,115. The value of stock of finished goods at the end of the year was Rs. 42,100.

Marketing of society's goods was the most difficult problem in the scheme. All possible methods\* were tried to increase the sales keeping in view the aim of lowering the expenses on marketing so as to make the organisation permanent and self-supporting in course of time.

After trying a wholesale purchase for a time early in 1937, a shop was opened in a prominent place in the city and canvassers were sent out from time to time to sell the goods.

Goods were given to some persons and firms and were kept in a few co-operative banks and societies for sale on consignment account. The society also participated every year in a number of exhibitions in and outside the province which besides effecting sales, helped to popularize society's products. Recently an agent has been appointed to sell the goods on a subsidised system, i.e., he is paid the actual expenses on shop rent and lighting up to the maximum of Rs. 100 per mensem on three shops to be opened by him. In addition he is allowed a commission of  $6\frac{1}{4}$  per cent on the value of goods sold by him and a further commission of Re. 1-9-0 on the wholesale business made with merchants. According to this arrangement the management of the society's shop was handed over to him and he has opened another shop in Itwari—a business locality in Nagpur. He has still to open a third shop in Sitabuldi another business locality in the city.

It was provided under the scheme that the central society should organise branches and weavers co-operative societies at suitable centres in the province. 10 such societies were registered at the following places:—

- |               |                       |
|---------------|-----------------------|
| 1. Chindwara, | 6. Nagpur,            |
| 2. Chanda,    | 7. Gumgaon,           |
| 3. Umrer,     | 8. Balapur,           |
| 4. Ellichpur, | 9. Deolgaon Raja, and |
| 5. Girgaon,   | 10. Damoh.            |

Out of the above, the work of the first three societies could be started. The work of the Chhindwara society was carried as an independant society. It sold raw materials to weavers and also manufactured some cloth through the members. The work of the Chanda and Umrer societies had to be conducted as branches of the central society. The Chanda society sold yarn to weavers while the Umrer society besides selling yarn to weavers manufactured cloth also most of which was taken over by the Nagpur society for sale. The finance for the working of the above societies was provided by the Nagpur society, which also gave a subsidy to these societies for their working expenses.

The work of the remaining seven societies could not be started owing to the failure of the members to collect share capital.

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\*The following methods were tried to market society's goods:—

- (1) Appointing a wholesale purchaser,
- (2) Opening society's shop,
- (3) Sending out canvassers,
- (4) Participating in exhibition and shows,
- (5) Giving goods to persons and firms for sale on consignment account,

and

- (6) Giving subsidies to agents or salesmen besides the commission to meet a portion of the expense on maintaining a shop or on travelling.

The main feature of the scheme proposed by this province and approved by the Government of India was the establishment of a central society for the purpose of issuing raw materials to members and selling cloth made by them. Though starting of weavers co-operative societies was also provided for in the scheme, efforts were centred more on the manufacturing side of the society and marketing its products. It is therefore requested that in reviewing the work done and comparing the results with the general problem of the development of the handloom industry the aspect with regard to the main object of the approved scheme may kindly be kept in view. The total number of weavers who availed themselves of the facilities offered, i.e., those who received work for manufacturing and those who purchased materials from the societies would be about 400—very small in comparison with the total number of weaving community in the province.

The value of raw materials arranged for through the co-operative societies for the periods they worked, was about Rs. 40,000 per year; the proportion of raw materials arranged for through the societies to the total value of materials utilized comes to about half per cent.

Co-operation among weavers is new in this province and there is at present at least little or no possibility of the weavers societies or associations raising their capital through co-operative banks or other sources. As shown above it was found difficult to start the work of the societies which were organised even when central society was prepared to finance them if only they could collect some share capital of their own. Previous history shows that one co-operative Bank suffered a considerable loss in financing the weavers societies.

No particular criterion could be maintained for regulating the subsidies made to individual societies. They were paid according to the actual expense incurred by a society on shop rent, manager's and attendant's salary and a small contingent expense on lighting, etc.

The question of introduction of improved appliances is not included in the scheme financed by the Government of India grant. It is attended to by the textile section of the Industries Department.

Recently under orders of Provincial Government, a detailed inquiry into the working of the society was made by the Senior Deputy Registrar of the Co-operative Department who has made certain suggestions for its development. The report is under consideration of Government.

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#### EXTRACTS FROM 'MANUFACTURE OF HANDLOOM BLANKETS IN BOMBAY PROVINCE'

In order to consider this important problem in all its aspects, a conference was convened at the Nizam's Palace in New Delhi on the 12th of February 1940. This was attended by the Directors of Industries of the Provinces and some of the States. The Conference was opened by the Hon'ble Mr. (now His Excellency) H. Dow, the present Governor of Sindh.

One can see from the opening speech of the Hon'ble Mr. Dow how the Government of India was keen on improving the condition of the village weavers. The question of organising the woollen industry on the lines decided upon in the Delhi Conference was therefore taken up by the Department of Industries, Bombay, in all earnestness. Samples of handloom blankets were prepared from hand-spun

yarn and were forwarded to the Chief Inspector of Stores and Clothing, Cawnpore, in March 1940. After laboratory tests, the sample submitted by the Department of Industries, Bombay, was approved by the Chief Inspectorate of Cawnpore and a recommendation was forwarded to the Supply Department to place an order for the blankets with Bombay Province. After negotiations, an order for 6000 blankets was secured in September 1940. It was decided to execute this order for blankets through two co-operative associations of this province, namely, (1) The N. C. D. Industrial Co-operative Association, Ltd., Ahmednagar, and (2) The S. D. Industrial Co-operative Association, Ltd., Hubli. A small finishing plant to give the required finish to the hand-made blankets was installed in the premises of the Industrial Co-operative Association, Ltd., Ahmednagar.

The spinning is done on charkhas mostly by women folk. An expert woman spins from  $1\frac{1}{2}$  lbs. to 2 lbs. of yarn in about 6 hours. The women spinners have to take particular care in spinning the yarn of even diameter and twist. If the yarn is spun with irregular twist, the blankets after the finishing process turn out faulty.

As observed previously, the organisation for the manufacture of handloom blankets is handed over to the two Industrial co-operative Associations at Ahmednagar and Hubli. These Associations are subsidised from the funds made available by the Government of India. Most of the share-holders of the Associations are weavers by profession and the Associations are registered under the Bombay Co-operative Societies Act VII of 1925. The Associations have to organise this work under the guidance and advice of the Wool Expert of the Department of Industries, Bombay. The Associations are financed by the two main financing co-operative banks (1) The Bombay Provincial Co-operative Bank and (2) The Karnatak Central Co-operative Bank, Ltd., Dharwar.

After the receipt of the first order for blankets in September last, the work of manufacturing the blankets was started in the villages of the Ahmednagar District. For such of those weavers as have had not enough capital to stock wool, the Associations have made arrangements to purchase wool and supply it to the weavers after blending and mixing. A pro rata wage is given to the weaver for the processes of carding, spinning, etc., and weaving. The weavers get ready money for the blankets handed over to the supervisors.

Gradually the work was extended to other districts both in the Central and Southern Division and the work of manufacturing the blankets is at present carried on in 7 Districts at several centres.

On account of the several advantages which the weavers have found in this type of work, they have now become a happy lot. Their state was really miserable for the last two decades or so on account of the deterioration in the hand weaving industry and therefore their hearts are now filled with a sense of gratitude for Government which has taken particular care to see that the villagers are profited on account of the war industries.

—*The Bombay Co-operative Quarterly, June, 1941.*

#### HANDLOOM BLANKETS FOR ARMY PURPOSES IN MADRAS

It was stated in the report of the Industries Department for the year 1939-40, that a number of sample handwoven blankets, representing a much higher quality,

and standard than any previously woven on handlooms in this province had been prepared, but that though the specimen blankets had been found to be satisfactory in texture, weave and finish, they were considered to be too harsh to the feel, owing to the lack of softness in South Indian wool, to be acceptable for army requirements. During the year under review further sample blankets were woven from selected wool and specially treated before subjecting them to the operation of raising. These were accepted as suitable for the purpose and shortly after the close of the year an order was placed with Messrs. Someshwar & Co., Hindupur, for the supply of 5,000 blankets. It is believed that if this initial order is executed to the satisfaction of the authorities; it will be possible to organise supplies on a satisfactory basis and to deliver increased quantities in future.

—*Report of the Department of Industries and Commerce, Madras, 1940-41.*

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### RURAL AND COTTAGE INDUSTRIES IN MYSORE

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The varied work carried on by the Department of Industries and Commerce in Mysore from July 1940 to March 1941, in the promotion of rural and cottage industries in many centres of the State is described in the following article:—

**Handloom Weaving.**—The Weaving Demonstration Staff of the Department consist of two Weaving Inspectors, eight Demonstrators and thirty Maistries. Their work relate to the supply of yarn of different counts and colours to handloom weavers at cost price, introduction of new designs, demonstrations in improved methods of working, etc. The Demonstrators toured for 767 days, visited 197 weaving centres, trained 561 men in improved methods of weaving, introduced 394 new designs and sold weaving appliances of the value of about Rs. 1,740. Hand-woven fabrics of the value of Rs. 2,29,088 produced in the State were exempted from the payment of octroi duty during this period.

There were 20 yarn depots working in some of the handloom weaving centres in the State and the value of yarn sold to weavers up to the end of March 1941 amounted to Rs. 26,328. These Depots have proved successful and in response to the representations received from the weavers of the other centres, the Department has proposed to open 20 more depots next year and to get yarn dyed under departmental control for being supplied to weavers.

**Tanning.**—Considerable work is being done in the village tannery, which was started at Doddasiddavvanahalli (Chitaldrug District) about two years ago for training Adikarnataka people of the locality in improved methods of bark and chrome tanning work. Out of 1,000 hides received at the tannery for purposes of tanning from the commencement, 916 hides have been tanned so far. A leather stitching class has been attached to the tannery for converting the finished leather into shoes, chappals, etc., which find a ready sale in Chitaldrug. Eight hundred and ninety leather articles valued at Rs. 1,093 were manufactured and sold up to the end of April 1941.

Demonstration work in the village tannery at Chamanahalli (Maddur Taluk) was continued and eight men were trained in improved methods of tanning. As skins are not being received in sufficient quantities for purposes of tanning for several reasons, it is proposed to shift the tannery to Malvelli which has long been noted for the manufacture of leather goods. Flaying demonstrations in Channapalna, Maddur and Melkote areas are being conducted by the Depart-

ment and a full time Flayer has been appointed for training the local men in the correct methods of flaying so that the skins are not spoilt during the operation. Twelve men have been trained so far.

**Mat Weaving.**—Training in improved methods of mat-weaving was given in the mat-weaving centres at Hiriyur, Sira, Kadakola (Nanjangud Taluk), and Burudagunte, (Chintamani Taluk). In the centre at Hiriyur, 73 persons were trained in weaving reed mats on improved lines and mats of the value of about Rs. 6,500 were manufactured and sold at the centre. In the mat-weaving centre at Sira, demonstration work has been started recently and a fairly good number of men are under training. From Kadakola, the centre has been shifted to Nanjangud after imparting training to as many men as were forthcoming from the villages round about Kadakola. A Mat Weaving Instructor, who is an expert in the trade, is employed by the Department for giving training on improved lines. A new hand-machine has been introduced for making the thread required for mat-weaving and it is reported that this machine has been very useful and economical. It is proposed to supply the trained students with mat-making looms required by them and recover the cost thereof in easy instalments. In the mat-weaving centre at Burudagunte, the training work was continued and 50 men were trained up to end of April during the year in making mats of improved designs. After about two years' location at Burudagunte, the centre of activities has now been shifted to Papihimmanhalli and Koralaparthi, on the advice of the Deputy Commissioner.

**Tile Making.**—A kiln has been constructed near Seelanere Village (Krishnarajpet Taluk) for the manufacture of tiles as raw material of good quality is available there in abundance. The first "firing" has been arranged for about 4,000 tiles which have been pressed. Similarly another kiln has been constructed at Surenahalli (Koratagere Taluk). A private party is working the kiln under his own management and necessary technical assistance is being given to him by the Department. Three "firings" had been made so far with very good results. The total output per month is estimated at 5,000 tiles per month. The tiles have been finding a ready sale in the area.

**Paper Making.**—In the training section of Badanval Spinning Centre, experiments in connection with the manufacture of handmade paper from different raw materials were conducted and two batches of students were given necessary training. It is proposed to equip the section with simple machinery to improve the quality and speed of the output. The manufacture of paper by hand has also been started at Dodballapur in order to demonstrate the working of new industries at the Rural Welfare Centre there. It has been found that handmade paper is more readily saleable when put on the market in the form of envelopes and note paper. Envelope cutting dies and gumming devices have been used to speed up the output and reduce the costs of manufacture.

**Button Making.**—The manufacture of buttons has been started on a small scale at Doddasiddavvanahalli and a few local boys have been trained in the methods of making shirt studs, etc., from waste pieces of horn. It is proposed to introduce improved machinery (made in the Central Industrial Workshop) in order that buttons for coats and shirts required by the War Board may be supplied from this place. Reference may also be made in this connection to the

button making section which has been recently organised in the above workshop for the purpose of supplying buttons to the War Board. About Rs. 2,000 worth of buttons have already been supplied within three months after starting the manufacture of this product.

**Coir Making.**—Propaganda work is being carried on at Adivala on the collection, retting and preparation of coir from cocoanut husks. An expert from Coimbatore has been stationed here for introducing the methods of retting green cocoanut husks. The local people have begun to appreciate the advantages of this industry and along the banks of the channels the industry is being extensively practised. There is a rope twisting machine in this place with which the fibre could be converted into yarn and rope.

**Village Smithy.**—A Smithy Centre has been started at Closepet, where ploughs, cultivators and other agricultural and domestic implements like *Machu*, *Kodli*, Stoves, etc., are being manufactured. The raw material used is scrap iron, sleepers, condemned spring plates, etc., of the Railways, scrap plates from the Central Industrial Workshop, etc. The raw material cost is thus not high and labour is also not so expensive as in cities. The articles turned out under these conditions are cheap and easily saleable. Twenty men were trained during the year (up to end of April 1941) and articles of the value of Rs. 7,335 were produced, of which articles worth Rs. 6,135 were sold.

**Village Pottery.**—Demonstrations in the manufacture of improved pottery of high quality and finish are being carried on in the rural areas such as Closepet, Chennapatna and Doddballapur. The manufactured articles have been put on the market and are finding a ready sale. Enquiries for agencies for these articles are also being received from various places such as Bombay, Madras, Hyderabad, etc. A Pottery Class has been opened in the Government Industrial School, Chennapatna, where students are trained in this Art. An improved kiln on the Chinese model has been put up at Closepet and new methods of manufacture including casting of articles by the use of plaster of paris moulds have been introduced with encouraging results. An experimental glazing kiln has also been put up in this centre and various kinds of glazed pottery similar to the famous Rockingham wares are being manufactured. It is proposed to expand the activities of the centre by constructing a large glazing kiln at a cost of Rs. 1,000 for manufacturing coffee, tea and other sets which are at present imported at a heavy cost from foreign countries.

**Porcelainware.**—Crocery articles are manufactured on cottage industry lines at Malleswaram, Bangalore, and training is given to poor women in casting porcelain articles. The prepared body material and the necessary moulds are supplied to these women for casting and finishing the articles. It is reported that each woman is earning Re. 0-8-0 to Re. 1-0-0 per day. It is proposed to open some more centres round about Malleswaram.

**Lacquerware.** This industry is being taught in the Government Industrial School, Chennapatna. The raw materials are obtained at concession rates from the Mysore Forest Department. The lacquered articles manufactured in the above school have earned a wide reputation. A large number of new designs have been recently introduced to suit the taste of society people.



Demonstrations are also being conducted in suitable centres. A Demonstration Centre was first started at Ankanhalli and later on shifted to Bannikuppe where 20 boys were trained in making toys during the year. A new instructor from the Punjab to teach special lacquering of articles has been appointed.

—Mysore Information Bulletin, June 1941.

## QUESTIONNAIRE

### Fact-Finding Committee (Handlooms and Mills)

#### Section I.

1. Please give a short account of the handloom weaving industry in your area, mentioning, in particular, the principal centres of the industry, the lines of production in each centre, and the peculiarities of technique (if any).

2. In what way has the handloom weaving in your area fared in the last few years? Indicate in general the causes of the advance or decline.

3. Has any survey of the handloom industry in your area been carried out? If so, please explain fully the method of enquiry and indicate the extent of reliability of the data collected.

#### Section II.

4. What is the total number of handlooms in your area? Please give a statement, classifying them.

5. What proportion of the handlooms are found in the cottages and what proportion in *karkhanas* or small factories?

6. What proportion of the handlooms are engaged in weaving cotton, silk, art silk, wool, jute or other fibre and mixtures thereof?

7. How many looms in your area are confined to handspun cotton yarn? Are there any indications to show that the number of such handlooms is increasing or likely to increase?

8. What proportion of the looms of each category remain idle (a) the whole year round, (b) for some months of the year (which months?) Give the causes of this idleness and bring out its consequences. Have any of the idle looms been discarded?

9. If there are any powerlooms (other than mills) in your area, please state their number, classify them. How many looms are attended to by each operative?

10. How many of these powerlooms are owned or operated by those who were previously handloom weavers?

11. How has the handloom weaver been affected by the introduction of powerlooms? Has the number of handlooms diminished since?

#### Section III.

12. Give the total number of weavers in your area, classified.

Specify the number of (a) weavers who work on their own account, (b) those employed by a master-weaver or *mahajan*, although working in their own

homes, (c) those working in *karkhanas* or handloom factories and (d) those attached to a co-operative society.

13. How many or what proportion of the weavers in your area are master-weavers? Please explain the relationship (social and economic) between those and the ordinary weavers.

14. (a) What are the classes or castes in your area that regard handloom weaving as their hereditary occupations?

(b) Have other classes of people taken up handloom weaving recently? If so, how has this influx affected the industry?

15. What proportion of the weavers in your area regard weaving as their part-time occupation? What are the subsidiary occupations followed along with weaving? How far is weaving a subsidiary occupation to agriculturists?

16. Is there any guild organisation among weavers? If so, give details. What is the influence of the guild on the industry in general?

17. Are the handloom weavers in your area addicted to habits like gambling, drinking, etc?

18. What is the state of indebtedness among the handloom weavers in your area? Why do they borrow? Explain the nature of the usual transactions.

19. (a) If any weavers of the hereditary weaving castes have abandoned weaving, how many or what proportion of them have done so, and what other occupations have they entered?

(b) To what extent have handloom weavers found employment in the textile mills? Have they any disinclination for working in mills?

#### Section IV.

20. (a) Please give in tabular form, the total production of cloth on handlooms classified.

(b) Please classify the same also according to the counts of yarn used.

(c) Please give similar details in regard to the production on powerlooms (other than mills).

21. What is the normal output of a handloom in your area? Please give details, in respect of certain standard cloths.

22. How is the total production of handloom cloth in India usually estimated?

Please comment on the following methods of estimating the production of cloth:—

(a) The assumption that, in handloom production, 1 lb. of yarn will give 4 yards of cloth.

(b) The assumption that, in mill production, 1 lb. of yarn will give 4.78 yards of cloth.

(c) The assumption that 100 lbs. of yarn will on the average give 112 lbs. of mill cloth.

(d) The assumption that on the average 1 lb. of mill cloth will correspond to 4.27 yards.

- (e) The assumption that the quantity of mill yarn used for purposes other than mill and handloom weaving may be offset against the quantity of handspun yarn used in the handlooms.
- (f) The assumption that the mill yarn used for such purposes as hosiery, braid, ropery, nets, lampwicks, bandages; pyjama cords etc. corresponds to 10 per cent. of the total mill yarn produced.
- (g) The assumption that the total production of handspun yarn amounts to 24 million pounds.

Have you any further comments to make regarding the statistical methods employed in such computations?

23. What proportion of the extra mill consumption of yarn in your area is by single-unit powerlooms and small-scale powerloom factories, which do not come under the Factory Acts? What allowance would you make for this in all-India figures?

24. Has there been any change in the lines of production on the handloom in your area? Explain if any shifts have taken place from one group of counts to another, from one kind of cloth to another, or from one type of textile to another. What have been the effects of changes in fashion?

25. Has (a) the *Swadeshi* movement, and (b) the emphasis on hand-spinning brought about any changes in the handloom industry?

26. Please enumerate the principal types of cloth woven on handlooms in your area and forward six sets of samples of not less than 12 in. square each.

27. (a) The handloom, it is said, possesses a special field in certain coloured styles of cloth. Is this true? Please enumerate the principal types of such cloth and show why handlooms have an advantage.

(b) Consider also the defects of handloom production.

## Section V.

28. Please give details of the different preparatory process as they are going on in your area:—

- |   |   |
|---|---|
| (a) The form in which the yarn is received. | (d) Warping.  |
| (b) Winding on the bobbins before warping.  | (e) Beaming, twisting and drawing in.                           |
| (c) Sizing.                                 | (f) The percentage of yarn wasted in the course of preparation. |

29. (a) What time is taken at each stage in preparing a warp of normal size, and how many persons are engaged? What wages are paid to those who assist the weaver?

(b) Do the weavers wind their weft themselves? If not, what wages are paid to those who help?

(c) Is there any organisation in your area from which prepared warp of a desired length ready for the loom could be obtained? If so, is it working satisfactorily?

(d) Has the method of hand-sizing any superiority over that of slasher-sizing, for example with regard to the "feel" of the cloth? Is there any slasher-

sizing machine for sizing the warp in use in your area? If not, do you think an installation of such a machine in your area will be beneficial to the industry?

30. (a) What sources, if any, exist in your area for supplying new designs to the handloom weavers?

(b) If not, how do the weavers manage to keep themselves in touch with up-to-date marketable designs?

31. Are the weavers in your area agreeable to the adoption of improved appliances and accessories? If not, please state the reasons.

32. To what extent do handloom products require finishing? Are there any arrangements in your area for the finishing of handloom fabrics?

33. Would it be economical and practical to instal a finishing plant for a district or a group of districts so as to cater for, say 1,000 looms and what would be the benefits of such a plant to the handloom industry in general?

34. (a) It is said that owing to competition among handloom weavers, the quality of handloom products has not been uniformly maintained. Has this led to any deterioration in the handloom industry?

(b) Is there any standardization of handloom cloth in your area? If not, how has this affected the handloom industry?

## Section VI.

35. What are the various systems of handloom weaving organisation prevalent in your area? Please treat them under the following heads and explain how they work:—

- (i) The independent cottage system (weaver working on his own account).
- (ii) The commission agency system, wherein the weaver works in his own house for master-weavers or *mahajans*, receiving yarn on credit and repaying in the form of money or cloth.
- (iii) The handloom *karkhana* system, in which a master-weaver or *mahajan* employs weavers on a wage basis in handloom establishments (often called factories).
- (iv) The co-operative system wherein the weavers are organised on a co-operative basis for purchase of raw materials, production of cloth and its sale.
- (v) Any other system prevailing in your area.

36. In the case of each of these systems, please explain how the weaver is remunerated, what his daily and monthly earnings are, and what his general economic condition is.

37. What are the busy and slack seasons in the handloom industry of your area? In the case of each please give details of the extent and regularity of employment.

38. What are the functions performed by (a) master-weavers and (b) other middlemen? Bring out the distinctive advantages and disadvantages of each.

39. (a) What are the advantages of a handloom weaving *karkhana*? What is the optimum or most economical size of such an establishment? Mention the approximate capital expenditure. What percentage of the workers in these establishments are weavers by caste?

(b) Give similar details about the small-scale powerloom factory, if any, in your area.

40. Give a short account of the growth of weavers' co-operative societies in your area, and explain working of some of them, stressing in particular the financial and marketing aspects. What proportion of the weavers of your area have joined these societies?

## Section VII.

41. (a) Please enumerate the kinds of yarn used (i) for handlooms of various types and (ii) for powerlooms (other than mills).

(b) Mention the sources of supply in the case of each kind of yarn.

42. Please explain how yarn is bought by handloom weavers. Is yarn bought on cash or credit? When yarn is bought on credit, how and when is the payment made? Is it necessary to pledge the cloths against the price of yarn supplied by the dealer? If so, on what terms? Please state the rate of interest ordinarily charged.

43. Does the yarn-dealer charge a higher price for yarn and later give any rebate, if the cloth is sold to him only? It is alleged that the arrear account is never squared up. Is this true? If not, please state the reasons.

44. If you consider the handloom weavers to be at any disadvantage in respect of the price of yarn, what approximately is its influence on the cost of production?

45. (a) In what form do the handloom weavers in your area purchase their yarn—(bundles, cones, cheeses, ball warps, beams)? Please discuss the advantages and disadvantages of each form, and explain how far it is practicable to supply the yarn to the weaver in a ballad warp form.

(b) When the yarns do not require to be dyed or sized, would it be more convenient if the yarn is supplied on cones?

(c) Would weavers consider it more convenient if the weft yarn is supplied on cones or cheeses, rather than on bundles?

46. Please enumerate, with the names and location of the mills, the different tickets or brand of yarn of the counts ordinarily used for the bulk production of handwoven goods in your area, and side by side give the prices prevailing on or about certain given dates in the principal handloom weaving centres.

47. What proportion of the total quantity of yarn spun in mills in your area or group is available for consumption by the handloom weavers?

48. What is the existing organisation for the marketing of yarn? Explain the part played by:—

(i) Agents,

(iii) Yarn merchants,

(ii) Sub-Agents,

(iv) Other middlemen, if any.

49. (a) Has any attempt or offer been made to supply yarn to the handloom weavers directly from the mills? Please discuss the feasibility of such a method.

(b) Is there any provision in your area for the supply of yarn from yarn depots maintained by the State? If so, explain how it works.

50. Are yarns required for handlooms bought on any specification with regard to the quality, strength and turns per inch?

51. It is alleged that certain malpractices with regard to length, weight, packing, etc., exist in the yarn trade. Do such practices exist in your area? If so whom do you hold responsible and what steps would you suggest for their control and mitigation?

52. Having regard to the large quantity of mill-made yarn needed by the handloom weavers, do you think that any special measures are necessary for securing an adequacy of yarn, of required counts and qualities, and at reasonable prices? If so, who should carry out these measures?

53. To what extent do the weavers in your area use dyed or bleached yarn? How do they solve the problem of dyeing and bleaching? Do the weavers buy dyed or bleached yarn or do they buy grey yarn and have it dyed or bleached later? Are there any dyeing factories in your area? If so, mention their terms.

54. What is the difference in price between (i) yarns bought dyed and (ii) yarns bought grey and dyed later?

#### Section VIII.

55. What proportion of the handloom production in your area is:—

- |   |                                       |
|---|---------------------------------------|
| (a) For home use,                         | (c) For sale outside the district but |
| (b) For sale within the town or district, | within India,                         |
|   | (d) For the export market.            |

56. What proportion of the weavers in your area produce against orders? and what proportion sell their output in the near-by markets? In the case of the latter, please explain the nature of the transactions. Are they at the mercy of the cloth dealer? Is there any agency in your area to give accommodation while the output is waiting to be marketed?

57. Please explain the working of the retail trade in handloom cloth in your area. In the case of some specific pieces of cloth, please state (a) the price at which the weaver sells, (b) the price realised by the middlemen, and (c) the retail price paid by the consumers.

58. It has been stated that the transport of handloom cloth within India is subject to various handicaps. Are there any handicaps in your area? Please deal in particular with the railways.

59. Is any handloom cloth exported to other countries from your area? If so, what kinds of cloth? By whom is the cloth exported and how do the exporters obtain their cloth? Explain fully any difficulties that are encountered in the export markets and suggest measures for expanding the export trade.

60. What changes have taken place in the clothing used by men, women and children in your area during the last two or three decades? In this matter, kindly consult experienced persons in the locality and also the account books of shopkeepers and tailors, if possible. In particular, state whether the use of handloom cloth has increased or diminished during the period.

61. Has the use of knitted goods (vests, sports-shirts, shawls, scarves, mufflers, etc.), increased in your area? If so, how has it affected the demand for woven fabrics in general and handloom fabrics in particular?

62. With reference to the principal shops in your area or town, can you estimate the proportion of the handwoven cloth to the total stock? Has the proportion changed in recent years?

63. Do the prices now realized on handloom cloth in your area represent a fair selling price?

### Section IX.

64. (a) What are the chief classes of cloth manufactured in the mills of your area (or of your group)? In the case of each class, please state what proportion it bears to the total production.

(b) Please give information as in Question 64 (a), in regard to the products of powerlooms other than mills in your area.

65. Please explain the marketing organisation for the sale of cloth produced in the mills.

66. Have you any evidence to show that (a) the mills, (b) single unit powerlooms and powerloom factories have encroached on the styles of goods produced on the handloom, or that handlooms have encroached on the goods produced in the mills and on other powerlooms?

67. Please collect and forward six sets of samples, not less than 12 inches square, of typical classes of comparable cloths made in (a) mills, (b) powerlooms, and (c) handlooms, which in your opinion compete directly or indirectly with handloom products. In regard to each set of competing cloths, kindly give details.

68. Please classify the types of cloth in which there is competition, either direct or indirect, (a) between handlooms and mills, and (b) between handlooms and other powerlooms. For convenience, state the nature of competition under the following heads:—

- (i) *Class (1)*—in which handlooms cannot, for one reason or another, compete with mills and powerlooms at present.
- (ii) *Class (2)*—in which handlooms, and mills and powerlooms are almost on a par and where the competition is just equal.
- (iii) *Class (3)*—in which handlooms are superior to mills and powerlooms.

(Comparable qualities of cloth may kindly be supplied in support of your view).

69. Is there any unfair competition in the cloth trade between the handloom weavers on the one hand, and mills and small-scale powerloom establishments on the other?

70. To what extent has improved transport facilitated the competition of mill cloth with handloom cloth, in your area?

### Section X.

71. Should the handloom confine itself to the production of certain special textures such as artistic fabrics and other types which cannot be economically produced by the mills? If you do not agree, give reasons.

72. Having regard to the present and prospective market at home and abroad, are there any special lines of production which the handloom weavers can take up with advantage? If so, give full particulars

73. Explain the nature of the existing organisation for assisting handloom weavers in your Province or State. What improvements in this organisation would you suggest? Consider in particular—

- (i) The supply of raw materials at a reasonable price to the handloom weavers.
- (ii) The supply of designs to weavers.
- (iii) Preparation of yarn, bleaching, dyeing, mercerising and finishing of cloth.
- (iv) Standardization in production.
- (v) Marketing facilities.
- (vi) Technical guidance to weavers, and training of weaving apprentices.
- (vii) Training of technical experts.

74. What, in your opinion, is the place of co-operation in the reorganisation of the handloom weaving industry?

75. Please state how the schemes adopted in the provinces with the grants made by the Government of India for the development of handloom industry are working in your area.

76. Could you suggest any scheme whereby mills might be brought into more direct and intimate relationship with the handloom weavers to the advantage of both parties, in regard to distribution of yarn, finishing of cloth, exploring export markets, etc.?

77. Fully state your views on the proposal contained in the fifth item of the Committee's terms of reference, namely, "an enactment prohibiting the mills from using yarns of low counts."

If any restriction regarding lower counts is in your view desirable, at what counts would you draw the line of demarcation for such restriction? Please discuss fully the merits and demerits of such a restriction if imposed.

What would be the effects of such a restriction on (a) the supply of yarn to the weavers and (b) indirect competition by cloth made out of slightly higher counts than those on which the restriction is imposed?

#### THE CO-OPERATIVE MOVEMENT IN BENGAL

The following is a summary of the proposals made by the Committee appointed by the Bengal Provincial Co-operative Bank, for the reconstruction of the Co-operative Movement in Bengal:

(a) In the first instance it is necessary to convert the Bengal Provincial Co-operative Bank into a real General authority so that it may effectively guide and control the co-operative finance and the working of its affiliated Banks and Societies. For this purpose a Code of Business Laws as indicated in the report should be agreed upon and respected by the Provincial Bank and its affiliated Banks and Societies.

(b) It is necessary for the Provincial Bank to come into closer touch with the Central Banks and the Societies and for this purpose quarterly meetings



may be convened by the Provincial Bank of the representatives of the Central Banks and Societies.

(c) A programme for scaling down the co-operative debts of the members of the societies affiliated to the 35 Central Banks mentioned in the report should be taken up immediately by the Central Banks concerned under the guidance of the Provincial Bank. Other Central Banks should also be encouraged to take up a programme of this nature. A responsible officer of the Central Bank should be entrusted with the work with suitable remuneration.

(d) The collection of old loans in kind should be taken up by all Central Banks which have scaled down the debts of their affiliated societies. The arrangement for collection and disposal of crops should be made on an effective basis in consultation with the departmental officers and the Provincial Bank. The office-bearers of village societies should be encouraged with remuneration to collect the produce.

(e) Organisation of a larger number of village credit societies should be taken up by the Central Banks so that the large Central Banks may invest in these societies a sum of Rs. 2 lakhs as crop loan within in a reasonable period of time.

(f) Smaller Central Banks for which there is no prospect of investing Rs. 2 lakhs in crop loans should be amalgamated with the nearest big Central Bank. The Provincial Bank should negotiate the proposal for amalgamation and give such help as is necessary for effecting an amalgamation.

(g) With the permission of Government the Central Banks and the Provincial Bank should take up transactions with non-members particularly in the direction of the bill, cheque and Insurance premium collections, issue of Hundis and advance against gold, silver and negotiable securities.

(h) All capital necessary for financing the Multi-purpose Societies and other co-operative marketing organisations should be raised by the Provincial Bank from within the movement as far as practicable and from the investing public by effective propaganda. A Propaganda Officer should be appointed for this purpose.

(i) The Provincial Bank should make arrangement with big Joint Stock Banks for supply of finance to the marketing organisations on the guarantee of the Provincial Bank and against the security of stock.

(j) For supervision of the work of the marketing organisations and for the realisation of the investments therein, the Provincial Bank should maintain an adequate staff. This staff will also look after the realisation of the short-term crop loans and take steps to counteract any propaganda against timely payment of the loan.

(k) The Provincial Bank should appoint a Special Organising Officer for organisation of larger number of Multi-purpose and Marketing Societies or if the work can be taken up by the Co-operative Alliance a subsidy may be given to that Institution for entertaining an Officer for this purpose.

(l) The Provincial Bank and the Central Banks should cultivate most friendly relation with the Departmental staff and should always seek their advice and help freely. It must be realised that it is only by the joint effort of the Official and non-official co-operators that the movement can be saved from disintegration.

REPORT OF THE WORK OF THE KONDEVARAM RURAL UPLIFT CENTRE  
(E. GODAVARI DISTRICT)

The Centre is the result of a capital fund donation of Rs. 10,000 by Sree Goteti Jogiraju Pantulu Garu who retired as an Assistant Director of Agriculture after a distinguished career in the Department. This is conducted by the Siva Rao Memorial Trust which is governed by Trustees among them being the Hon'ble Sree V. Ramadas Pantulu Garu, Member, Council of State, Sree N. Satyanarayana Garu, Secretary of the Madras Provincial Co-operative Union, Sree Kuchi Narasimham Pantulu Garu of Pithapuram, poet, scholar and educationist. The Centre maintains one worker with headquarters at Kondevaram, 3 miles from Pithapuram on the Uppada Road.

The object of the Centre is to "progressively reduce the dependence of villages upon towns: (1) for the marketing of their raw produce; (2) for supply of domestic requirements; (3) for supply of credit; (4) for medical aid; (5) for settlement of disputes; and (6) for the education of children and make the villagers self reliant and strong. The methods adopted are non-political and non-party as well as non-sectarian in social and non-denominational in religious matters." It was intended that villages—about 20—in the first instance in the neighbourhood of Kondevaram and comprised in the Centre should benefit by the efforts of the Centre by the spread of light, leading and culture and by organisations meant to develop initiative and self respect among them. This objective has been partly and is being steadily attained since the commencement of work at the Centre in October 1935.

**Education.**—A census of children of school-going age in the village revealed that of 382 such boys and girls only 60 attended school and the rest were left uncared for. Nearly a hundred of such boys were found to be engaged in some remunerative work or other during the day time, such as looking after cattle, farm work, etc., and had no opportunity to attend school. For them a night school was opened at the Centre which soon attracted 60 boys. After a time it was found that Harijan boys desired admittance along with others and the latter were freely persuaded to allow the Harijans to have the benefit of instruction as much as themselves. Thus was educational untouchability removed without any flourish of announcements. A group of young men were persuaded to take lessons in Hindi, the teaching of which was entrusted to a qualified teacher. Magic Lantern slides prepared by the Madras Provincial Co-operative Union were occasionally exhibited with relevant explanatory comments in the villages. Lectures on several aspects of village improvement including co-operation were next delivered in all the villages of the Centre.

Instruction is imparted in subjects like Agriculture, Bee-keeping, Preparation of Palmyra Jaggery, Hand-pounding of rice, etc., both by means of oral lectures as well as demonstrations. So also teaching is given in village industries like Hand weaving which supports nearly 1,000 families in the area of the Centre, Dyeing, Eri culture, Lac culture and Pottery. Attention is also paid to social programmes like dissuading villagers from offering animal sacrifices and discouraging village factions and to environmental hygiene. The work in connection with settlement of disputes through arbitration is encouraging.

**Co-operation.**—Finding that the villagers depended almost entirely upon the sowcar, the Manager submitted proposals for the starting of a Co-operative Loan

and Sale Society. These were put into effect, and the society has been doing useful work since three years with the Manager of the Centre as its Secretary. Loans on pledge of produce have been advanced to the extent of Rs. 65,000 and small producers no less than large are benefited by being able to hold up their crops against a better price. The marketing of sapotas grown by members has been undertaken through the Provincial Marketing Society, and arrangements are in progress to send other articles like hand-pounded rice and fresh butter from the villages to Madras through the same agency. The society is being given a subsidy by the Government representing a varying and gradually reduced proportion of its establishment charges year after year for four years during which period it is expected to stand on its own feet. Proposals and estimates for Rs. 6,500 have been put up for the construction of paddy godowns with the help of Government loan at  $3\frac{1}{2}$  per cent. But they have been held up this year as a result of war-time economy.

The Kondevaram Co-operative Spinners' Purchase and Sale Society, Ltd., was brought into existence as a result of the need felt for better serving the cotton spinners in the area by the help of good cotton sold at reasonable prices, and by taking their yarn off their hands in proper time. The society aims at enabling each cultivators' family to spin for its entire clothing requirements; and for this purpose not only is cotton supplied where needed in advance, but wheels are given on credit, domestic carding taught, hanking instruments are distributed, yarn is got woven, ginning instruments lent and other services performed solely with this end in view. The idea is that by gradually by such service, each individual family will be able to dispense with all purchases of cloth whether of the mill-made or other variety and produce enough yarn both for its domestic use and also for taking the surplus yarn for sale to the society. Khaddar is produced and sold, but not as an end in itself. The society has now on its rolls nearly 70 members though it is but 3 months old, and has produced and sold nearly Rs. 200 worth of khaddar, cotton, etc. The society's khaddar has already won recognition for its quality and price; and it commands entire public support in the area.

The Kondevaram Co-operative Milk Supply Society has been organised and is awaiting registration. It is intended not only to supply pure milk and ghee to the towns, but also to maintain stud bulls and create other amenities for the owners of dairy cattle.

During the progress of village work it has been noticed that complimentary organisations in towns are needed to bring to fruition the work carried on in villages. Hence, a co-operative stores is being organised at Pithapuram with the approval of the Government and the help of a few public spirited individuals for the proper distribution and sale of village produce and village-made articles like fruit, milk, ghee, hand-woven cloth; khaddar; honey; hand-pounded rice etc.

The Pithapuram Fruit Growers' Co-operative Society has been started with the Manager of this Centre as Secretary for the export of mangoes, plantains, sapotas and other local fruit like oranges and to encourage fruit gardens and industries like fruit canning. The Society will commence business shortly.

As arbitrator of co-operative societies, the Manager not only decided suits and passed awards but also persuaded defaulting members to pay up their dues to societies.

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## FUTURE OF THE CO-OPERATIVE MOVEMENT

Commenting on the Hon'ble V. Ramadas Pantulu's Presidential Address to the Joint Session of the Indian Provincial Co-operative Banks' and Institutes' Association at Bombay on the 18th January 1941, the *Co-operators' Bulletin*, Jammu (Kashmir), observes:

"While giving expression to his sympathy to the Co-operators who have been deprived of their freedom to carry on their co-operative activities by forces of brutal aggression, he emphasised the conviction that co-operation provided the best basis for ensuring peace, freedom, security and social justice. We also whole-heartedly join the Hon'ble Mr. Pantulu in this declaration.

The Hon'ble Mr. Pantulu pointed out that the effort of the War on the prices of agricultural produce and agricultural lands and consequently on the agricultural community in particular and the co-operative movement in general had not been according to the expectations and that the primary producer had not been benefited by what may be called a War boom and in fact the Indian Agriculturist had lost many of his export markets. He opined that while the price control policy of the Government may well be directed towards preventing profiteering by middle men nothing should be done to check the rise of the agricultural prices to the detriment of the primary producer. This is a matter which affects the prosperity of the rural population, which is the backbone of our nation and we support the Hon'ble Mr. Pantulu's views with all the emphasis that we can command.

While dealing with the problem of indebtedness he stressed the necessity of assessing the effects of the measure adopted by the different Provincial Governments and proposed the constitution of a Legislative Sub-Committee of the All-India Co-operative Institutes' Association to study the provincial debt legislations and formulate the views of the Association on the measures with due regard to local conditions and the needs of each Province. In our opinion this is a very sound proposal and is calculated to be of immense benefit to the Co-operative movement in India.

Disagreeing with the assertion of the Federation of the Indian Chamber of Commerce and Industries that in spite of vigorous efforts to create a regulated rural credit system the money lender will continue to be the main source of credit to our rural population for a long time to come, the Hon'ble Mr. Pantulu observed that to his mind the replacement of the present system of money lending by a sound system of rural finance through co-operative organisations which would form an integral part of an organised Banking structure, was not beyond the region of practical politics and he considered that the linking up marketing of agricultural produce through productive effort on a co-operative basis was a rational solution of the problem of Rural Finance, and advocated measures for co-operatizing the Rural Credit system of the country for which not only sympathy but also suitable action on the part of the Central and Provincial Governments and the Reserve Bank of India was necessary.

Discussing the schemes for the rehabilitation of the Co-operative movement in different provinces the Hon'ble Mr. Pantulu advised utmost expedition and observed that it would become more and more difficult to resuscitate the movement if the process of investigation and implementing the Governments' decisions were inordinately delayed. We fully agree with the Hon'ble Mr. Pantulu and advocate utmost expedition in this matter which is of supreme importance to the Co-operative movement at the present moment of its life and death struggle.

Referring to the Bengal Co-operative Societies Bill of 1938 which had a somewhat stormy passage through both the houses of Bengal Legislature and which contemplates investing the Registrar with drastic plenary powers, the Hon'ble Mr. Pantulu observed that the co-operative movement could only be carried on by the people themselves with such assistance and guidance as the Registrar and his Department may be able to give as friends, philosophers and guides to the movement and disapproves of these additional statutory provisions even if they are to remain as harmless weapons in the armoury of the Registrar.

Adverting to the Report of the Madras Committee on co-operation, the Hon'ble Mr. Pantulu said that it was valuable for its recognition of the principle that greater attention should be paid to the Rural problems, and something tangible done to transform rural economy which is now a deficit economy, into a surplus economy and to readjust the balance between the town and the country with the object of promoting prosperity in rural areas. While supporting the recommendation of the Committee for a simultaneous pursuit of a comprehensive plan of revival and reconstruction of societies together with a plan of expansion of village credit societies and their organisation on a wider basis with a view to bring every village within the area of operation of such a society, he stated that informed opinion both of co-operators and economists was accumulating in favour of the view that the primary credit society would not gain much by being transformed into a multi-purpose society of the type suggested by the Reserve Bank of India.

The Hon'ble Mr. Pantulu is not very optimistic about the future of the movement, constituted and directed as at present and feels that so long as the movement is state-controlled and state-administrated it does not bid fare to take us far on the road which, in Mahatma Gandhi's words, leads to "complete deliverance of toiling yet starving millions from the dreadful evil of economic serfdom." His advice is that co-operation in India should take notice of the new currents of national life in the sphere of production and distribution and in the field of Industry, Commerce, Trade, and Finance, so that it may contribute to our national life and bring about reconstruction of the economic life of the people in the new world order which stresses a more equitable distribution of wealth and better and equal opportunities of life for the rich and the poor. The Hon'ble Mr. Pantulu is an outstanding personality in the field of co-operation in India and we hope that the co-operators, both official and non-official, shall take note of his advice. Even those who do not see eye to eye with him in certain controversial matters would do well to give due weight to the opinions of this veteran co-operator."

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#### CO-OPERATIVE PRESS AND OFFICIAL CONTROL

*The Bengal Co-operative Journal* which enters on its 27th year of its existence with the current issue of its quarterly (July-September, 1941) has some striking comments to make on official control over Co-operative Press, under the caption 'Ourselves.' The Journal was started under official agency by the Co-operative Department of Bengal in 1914. When the Bengal Co-operative Organisation Society, the present Bengal Co-operative Alliance, was started in 1918, the Journal was made over to this non-official co-operative institution and ceased to be a Government publication. On that occasion Lord Ronaldshay

(Marquess of Zetland), the then Governor of Bengal, addressed the following valuable communication to the Society:—

“I write to offer you my sincere good wishes for the success of the new Journal, which is being published under the auspices of the Bengal Co-operative Organisation Society.

The publication is one which should have a career of immense usefulness before it. The Bengal Co-operative Organisation Society welcomes the support of all who are convinced of the great benefits of the co-operative system. It already numbers among its members some of the foremost personalities in the business world of Calcutta, and representatives of the landholders of the Presidency. In other words it is a live organisation which is going to make its activities felt far and wide. It is almost essential that such a concern should possess the means of making its views widely known; and the new journal will enable it to do so.

I do not underestimate the good work which has been done by the journal, while it has been conducted under official guidance and control; but at the same time, I think, there are advantages in its divesting itself of official tutelage and proclaiming itself to the world as the independent mouthpiece of the co-operative movement. As such it will be of the utmost value to official and non-official alike, and should prove to be a potent instrument for furthering the success of the co-operative principle. *Perhaps I may add that while Government desire to exercise no control of any kind over the publication, they do desire to assist towards its success, and, with this object in view, propose for the present to contribute a sum sufficient to cover the cost of its production.*”

After quoting this letter our contemporary proceeds to make the following observations:

“In 1926 its name was changed into the Bengal Co-operative Journal when Mr. S. K. Lahiri took over the editorship. The Journal profited by the very distinguished guidance of Mr. Lahiri till 1938.

Since the declaration of Lord Ronaldshay the Government have never interfered with the independent policy and management of the Journal, while remaining true to the commitment of Lord Ronaldshay in the matter of financial assistance. At the same time the Government have generally been alive to the suggestions offered by the Journal.

But of late, dark clouds in the form of official interference not only against the policy but also against the management of the paper are lowering. Without going into details, it can be said at the present moment that attempts for official control and dictation of the policy of the Journal are so much in evidence that it will cause no surprise if the solemn declaration of Lord Ronaldshay, so long religiously honoured by the Government and the Co-operative Department is ruthlessly trampled down. No blacker tragedy can yet be conceived.

“With the system of administration that obtains in India, the Co-operative Department itself is part of an irresponsible and irremovable bureaucracy.” Even in such a condition, it cannot but provoke deep resentment among those still interested in the Movement—though their number is fast dwindling in Bengal due to the bureaucratic highhandedness of the Department. It is regrettable that the Department should forget that public opinion is much more alert than it was thirty years ago. To convert the non-official organ into an official trumpet for blowing officious admiration of the officials and their doings would be ridiculous.”

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## REPRESENTATION OF DEPOSITORS ON THE COMMITTEES OF CENTRAL BANKS

### Draft Amendment to Rule XXVI under Madras Co-operative Societies Act

The following is the Rule as existing :

#### *Constitution and Strength of Committee of Financing Bank*

1. The proportion of individual members to society members on the committee of a financing bank and the maximum strength of the committee shall be determined by the Registrar in consultation with the committee of the bank.

2. An individual member shall not be eligible for appointment as a member of the committee of a financing bank unless he holds such number of shares, or has invested in fixed deposits in such bank such amount, as may be fixed by the Registrar from time to time in consultation with the committee of such bank.

The following is the Draft Amendment to the above rule :

“XXVI. (1) The proportion of individual members to society members on the committee of a financing bank, the proportion of individual members who shall hold fixed deposits to total individual members and the maximum strength of the committee shall be fixed by the Registrar in consultation with the committee of the bank. The proportion of individual members who shall hold fixed deposits to total individual members shall be fixed at not less than 25 per cent of the latter.

(2) An individual member shall not be eligible for appointment as a member of the committee of a financing bank unless he holds such number of shares or has invested in fixed deposits such minimum amount as may be fixed by the Registrar from time to time in consultation with the committee of such bank.

(3) If the required number of individual members holding fixed deposits is not elected to the committee of a financing bank the Registrar may, if individual members holding fixed deposits in such bank are available, nominate the required number of such members to the committee. Any seat on the committee of such bank reserved for individual members holding fixed deposits which has not been filled either by election or nomination shall be held in abeyance.

(4) Any person who has been appointed as an individual member of the committee of a financing bank by virtue of the fixed deposits held by him in such bank shall cease to hold office as such, if the amount of his fixed deposits in such bank falls short of the minimum fixed by the Registrar under sub-rule (2) and shall not become eligible for appointment under that class of members until the amount of his fixed deposits in such bank reaches such minimum.”

#### *Explanatory Note*

In order to check over-borrowing and unwarranted leniency in the matter of recovery of dues the Reserve Bank of India suggested that adequate representation should be secured to the depositors either by nomination or by other means on the Boards of Central Banks. This suggestion has not been accepted by the Committee on Co-operation (1939-40) for the reason that it will create special or vested interests in Central Banks and that no occasion had arisen so far for special representation of depositors. The Registrar of Co-operative Societies is, however, in agreement with the view taken by the Reserve Bank and considers

that the object may be achieved by prescribing that a certain proportion of elected individuals should be from among individual members who held deposits in the banks.

It is observed that individual directors do not at present make deposits in the banks concerned to any appreciable extent. It is therefore considered that not less than 25 per cent of such directors should be chosen from individual members who have made deposits and that they should invest in fixed deposit a minimum amount. Under the rule published, it is proposed to empower the Registrar to fix the proportion of individual members who shall hold deposits to total individual members of the committee of a financing bank and the minimum amount to be invested for this purpose in consultation with the bank concerned. If the deposits held by individual directors fall short of the minimum amount fixed, they will cease to hold office as such and they will become re-eligible for appointment under this class of directors only when they have reinvested the required amount in the bank concerned. If the general body of a financing bank does not elect the required number of individual directors who have made deposits and if there are individual members who are eligible for such election, the Registrar may, if he sees fit, nominate them as directors. Any seats reserved for individual members holding deposits which are not filled either by election or nomination will be held in abeyance.

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#### RATIONING IN ANCIENT TIMES

There is nothing new under the sun, not even the ration cards we all now possess. These were in vogue thousands of years ago. Form and practice were, of course, quite different, but the governing principles are to-day the same as among the Persians, Greeks, Chinese, and other peoples of earlier days.

**Weight for Height.**—When, in 535 B.C., the Persians had cut off all supplies from Babylon, Naboned introduced a comparatively original form of rationing. Every citizen was measured and was rationed according to height. If, for example, a woman sought wool for spinning or weaving she had to produce her certificate of height. Only the very tallest could hope to get all they wished. But even so, they had first to hand over one of the garments they wore, which later was divided amongst the women of smaller size.

**Monumental Meals.**—The Athenians had much difficulty during the Peloponnesian War. Their ration cards consisted of big slabs of marble which they had to produce at the distribution centres in the amphitheatres. On the slabs were recorded all the quantities of goods received. In the sweat of their brows the housewives carried to and fro the heavy records; the return journey was laborious, with rations and slab. The wary and the wealthy hired help to carry the goods, but all held fast to the ration card.

An old-time poet tells that at one store the women quarrelled. In the heat of argument the ration cards were used as weapons and some were smashed.

**A Sporting Chance.**—When the Persians besieged Sparta, Leonidas decided that only food absolutely necessary should be given out. Even then regard was had to the size of the individual. The biggest and strongest, therefore, fared best. To prove their qualifications both men and women had to undergo tests in discus throwing, lance flinging, putting the weight, running, jumping, and



finally weight lifting. Not until these tests had been taken could a ration card be had.

**Every Man His Own Coupon.**—The Mahommedans were more practical than the Athenians with their marble slabs. They were their own ration cards. On the brow, just above the root of the nose, they bore a little mark entitling them to a certain quantity of water. On the prophet's crusade from Medina to Mecca drinking water was scarce and had to be rationed. Every man was, therefore, allowed only a certain measure. To tally this a dark green stroke was made on each brow. Every time water was distributed part of the stroke was removed by the water controller with secret chemicals. If anyone attempted to increase his ration stroke he went waterless to the point of death from thirst. Only then was he restored to the register. Mahommed's laws were wise but strict.

Even in the darkest Africa there have been ration cards. The warlike Somali negroes along the Gulf of Aden had a system not widely different from that of more civilised lands. Some decades ago a capable chief introduced a system involving rationing in times of drought and pestilence. When food became scarce all the tribe had to bring what provisions they had to the chief's tent, where they were justly divided and distributed by the chief. On every one receiving a ration a knife cut was made on the back, and only when the wound had healed was he or she entitled to a further supply.

**Rationing by Inches.**—The oldest known form of ration card is reported from China under the Tschon dynasty, 1111 B.C. Rivers had overflowed, devastatingly flooding vast tracts of land. Ricefields and other crop areas were completely submerged; great numbers of animals were drowned and there was widespread want and privation. Every citizen in the afflicted area was given a silken cord bearing the Emperor's mark and each time he drew his ration a certain length was cut from the cord.

We all have our ration coupons to-day giving trouble and worry, but at least we may be glad to escape the marble slabs and the knifing of earlier rationing.  
—J. D.

—*Co-operative Review, Manchester, June, 1941.*

## CO-OPERATIVE NEWS AND NOTES

The Hon'ble Mr. V. Ramadas Pantulu, founder of the South India Co-operative Insurance Society and President since its inception, was presented with an address enclosed in a silver casket, by the Directors and members of the staff of the Society on the eve of his retirement. The address was read by Mr. P. S. Kumaraswami Raja, the new President. The Hon'ble Mr. Ramadas Pantulu expressing his hearty thanks for the honour done to him, said that he hoped to continue to devote such little energy as is still left in him to the service of the Movement in India and to promote and safeguard the legitimate interests of the non-official employees of co-operative institutions. He exhorted the employees to cultivate the co-operative virtues of courage, self-reliance and spirit of sacrifice and service.

\* \* \* \* \*

The Indian Stores Department have, it is understood, placed orders with various Provinces and States for 628,500 handloom blankets for delivery by March next. Negotiations are also in progress with several other Provinces and States and further orders may be placed shortly. These purchases are in part against an allocation made by the Eastern Group Supply Council for 400,000 blankets and, in part, against Supply Department indents.

\* \* \* \* \*

It is reported that orders for over 18,000,000 yards of textiles were placed in India by the Eastern Group countries the chief indentors being Australia, New Zealand, Singapore, the Middle East, South Africa and South Rhodesia.

\* \* \* \* \*

Handloom fabrics valued at over Rs. 9,56,000 were reported to have been sold by various handloom weavers' societies in the year 1939-40; the highest sales being (Rs. 3,09,000) recorded by the United Provinces followed up by Bengal with Rs. 1,95,000, Madras with Rs. 1,63,000, Bombay with Rs. 1,23,000 and Bihar with Rs. 1,01,000.

\* \* \* \* \*

In Mysore, according to the three-year plan drawn up by the Industries Department, a sum of three lakhs of rupees has been set apart by the Government to be placed at the disposal of the Cottage Industries Committee for the development of cottage industries. For the current year a sum of Rs. 1,32,000 has been allotted. The Cottage Industries Committee have resolved to start immediately six centres for button-making out of which two would be reserved for gosha ladies. Paper making as a cottage industry is also sought to be encouraged.

\* \* \* \* \*

A Scheme of Debt Conciliation was introduced in portions of the Mysore State in July 1938 under the Debt Conciliation Act of 1937. The Government recently introduced a Bill to amend the Act. The most important provision of

the Bill relates to strengthening the element of compulsion by providing that when an agreement was arrived at between the Debtor and the Creditors to whom more than 50 per cent of the dues were due, the Conciliation Board might pass an order that the other creditors also should accept the offer made by the debtor, if in the opinion of the Board such offer was a fair one. A non-official amendment to the Bill was moved for making the decisions of the Board binding upon the creditors whether they agreed to the same or not, in other words to widen the application of the principle of compulsion in conciliation of debts. The amendment was accepted and the Bill as amended was passed by the Representative Assembly, Mysore. In the course of the debate on the Bill it was stated that the agricultural indebtedness of Mysore which stood at 35 crores in 1935 had now increased to about 45 crores, the average debt per capita is Rs. 350; the average holding is about 5 acres.

\* \* \* \* \*

A society for marketing fruits grown in Wynaad (Malabar) area has been registered. The oranges grown in this area are estimated at 1000 lorry loads, a year, each lorry load to contain about 25,000. The fruits will be graded by an expert to be deputed by the Madras Government. It is decided to open sales depots at Calicut and Bangalore. The Society is understood to have approached through the Provincial Marketing Officer to the Government of Madras the railway authorities with a request to allow concession for the fruits to be sent by trains to important places in South India.

\* \* \* \* \*

The Government of Travancore expressing their faith in the potentialities of the co-operative movement, as an efficient factor in promoting economic life in various spheres such as agriculture, development of cottage industries and organising and marketing of agricultural and industrial products, have decided to appoint an Advisory Committee for the purpose of helping the Registrar of Co-operative Societies in drawing up a scheme for the reconstruction of the financing banks and the restoration and development of non-credit activities.

\* \* \* \* \*

A sum of Rs. 3,000 has been sanctioned by the Government of Travancore as donation to the Y.M.C.A. for carrying on rural reconstruction work in the State during 1942.

\* \* \* \* \*

It is announced that H. E. H. the Nizam has given his assent to the Hyderabad State Bank Bill, passed by the Legislative Council. The authorised capital of the Bank has been fixed at Rs. 1½ crores, of which only Rs. 75 lakhs divided into fully paid shares of Rs. 100 each are to be issued in the beginning, the maximum holding by an individual either jointly or severally being limited to two hundred shares. Two seats have been allotted in the directorate for those elected by the board representing industrial interests as also those of land mortgage and co-operative banks.

\* \* \* \* \*

The progress made by the Bihar Mass Literacy Movement is impressive. It is reported that 10,65,821 persons (including 21,744 women) were made literate

and 6,25,696 persons were under instruction in post-literacy course up to the end of March 1941. With a view to preventing the new literates relapsing into illiteracy, a three-month post-literacy instruction was provided after the completion of the pre-literacy course. Lately a post-literacy test has also been introduced. Besides, there are literacy centres in all the jails of the province and in the central jails, many prisoners have passed Lower and Upper Primary examinations.

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## EDITORIAL NOTES

### THE XXIV MADRAS PROVINCIAL CO-OPERATIVE CONFERENCE

We publish elsewhere the Addresses delivered and a brief account of the proceedings of the Conference. The question of official interference with the affairs and activities of the co-operative organisations loomed large in the Welcome Address of Mr. T. A. Ramalingam Chettiar, President of the Madras Provincial Co-operative Union and the Inaugural Address by Prof. V. G. Kale who opened the Conference. Dewan Bahadur K. Deivasikhamani Mudaliar who opened the Industrial Exhibition and who also presided over this year's celebration of the International Co-operators' Day at Madras, touched on the same topic. The cumulative effect of the testimony coming from three such independent and competent sources cannot be lost on those who read the speeches with an open mind.

Mr. Ramalingam Chettiar's Welcome Address caused considerable stir among certain sections of the delegates and a resolution to the effect that the Conference emphatically and completely dissociates from the views regarding the co-operative department expressed by Mr. Chettiar was moved. An attempt to expunge from the proceedings the portion of Mr. Chettiar's address containing his views on official interference has not succeeded. The discussion on the resolution occupied the best part of the two days' session of the conference and the rest of the long agenda was gone through expeditiously in a brief post-lunch session lasting about a couple of hours on the afternoon of the second day, when all other resolutions were formally moved and passed with little or no discussion. Before putting what turned to be the main resolution to vote, the President read out to the Conference the letter (which is published elsewhere) addressed to him by Mr. Chettiar who had to leave Madras on other public duty.

In that letter Mr. Chettiar not only adhered to what he said in the Welcome Address but offered to prove his statements if a necessity for it arose. The resolution is reported to have been carried by a majority, considerable number of delegates, however, remaining neutral.

We are sorry to have to state that from all accounts we have read and heard, the proceedings of the Conference appear to have been marred by some unfortunate incidents and that at more than one stage it looked as though the Conference would break or end in a fiasco. It must be a matter of deep regret to the well wishers of the movement that the atmosphere of co-operation, dignity, and decorum so long associated with the sessions of the Provincial Co-operative Conference should be so sadly lacking at this session. It is even more painful to be constrained to say that the unpleasant scenes enacted at the conference cannot be attributed to any sudden provocation justifying a temporary loss of equanimity on the part of a sensitive audience but had a sombre background. Seeds of the trouble that came to the surface at this conference were really sown at the Andhra Provincial Co-operative Conference held in April last in Bhimadole, West Godavary District. It is reported that at least 11 officials\* above the rank of inspector besides several inspectors of the department, attended that conference and in a tense atmosphere a resolution was carried expressing satisfaction on the cordial relations existing between the Registrar and the officials of the department on the one hand and the non-official co-operators on the other. It obviously looks like protesting too much. At the close of the conference in the course of his reply to an address presented to him, Dr. P. Gurumurthy, President of the Andhra Sahakara Sammelanam, is reported to have said "It is time for us to step out of this tumultuous environment for a while and place the entire burden of carrying on the movement on the shoulders of the Government and department, while extending from a distance such co-operation as we can." It is impossible to overlook the significance of such a statement, coming as it does from a co-operator of the eminence of Dr. Gurumurthy with a reputation rarely equalled for courage of conviction, integrity, and spirit of sacrifice and service. Does not what Dr. Gurumurthy said come to very much the same as the question put by Prof. V. G. Kale in his Inaugural Address at the Mylapore Conference? Prof. Kale asked 'Would it be wrong and unfair to say here that the Registrar wants the co-operators to hold the department's baby?'

\*The Registrar; Joint Registrar; 5 Dy. Registrars; 2 Asst. Registrars; 2 Sub-Dy. Registrars; and several inspectors.

What happened at the Madras Conference was really a continuation of what was started at Bhimadole. The attendance of a large number of departmental officials and their actively interesting themselves in resolutions and motions bearing on the question relating to departmental activities, is a new technique, which is assuming unprecedented proportions.\* Mr. Chettiar in his letter mentioned above referred to the attendance at the conference of a large number of Deputy Registrars and Delegates who came from the areas in charge of those Dy. Registrars. We do not, of course, say that the mere attendance of the departmental officers at such conferences, is in any way objectionable by itself. In fact, it was welcomed in the past and will always be welcomed. Nothing would be more helpful than a friendly mixing and mutual collaboration of the official and the non-official co-operators in the solution of the problems on which the conferences are expected to deliberate. But the wisdom of large numbers of departmental officials being mustered on occasions where the main interest centred round resolutions expressing confidence in the departmental officials or motions censuring those who criticise the department, is open to doubt. The value of the resolutions like those passed at Bhimadole and Mylapore will thereby suffer considerably; at any rate, may not carry the weight which they ought to carry when passed in a free and normal non-official atmosphere. It is worthwhile knowing how many of the departmental officials remained in the conference pavilion after the vote was recorded on the controversial resolution and during the business session held on the afternoon of the second day and if they did remain, what contribution they made to the discussions of the business resolutions at the conference; but we regret that published reports of the proceedings of the conference do not contain any information on either of these points. In these circumstances, we feel it is difficult to justify the burden which the tax-payer is called upon to bear in the shape of expenditure incurred on such large official attendance at these conferences.

If it is necessary for us to assess the implications of this resolution, for our part, we refuse to believe that it is a vote in favour of official interference. At best it may be taken as a record of opinion by a majority of those who voted that the accusations made by Mr. Chettiar were not well founded. In either case it cannot in our opinion be regarded as an expression of *accredited non-official opinion of the province*.

\*For particulars, see proceedings published elsewhere.



Coming to the main question in controversy, we would like to make our own position clear in regard to the proper sphere of official direction and control. While we do not believe and never believed in state-dominated and state-regimented co-operation, we have all along realised and advocated the need for and the value of well defined statutory powers vested in the Registrar and the department. We hold that while legitimate statutory control supplemented by constructive advice and guidance is to be readily welcomed, unjustifiable and stifling interference is to be emphatically deprecated. It is not difficult to draw a line between the two. It must at the same time be remembered that control involves a large amount of discretion and the public and the Government cannot be too watchful in preventing legitimate control degenerating into an arbitrary exercise of power bringing into play the idiosyncracies and likes and dislikes of the controlling authority. To contend that direction and control of the movement must continue to remain in the department until "right men" come up to take up the responsibility is to argue in a vicious circle. If the forty years of experiment with control and direction in official hands has not created such men it is hardly likely that they will spring up into existence in the near future. We repeat what we said at the Joint Session of the All India Associations at Bombay in January last that, unless and until we build anew the whole structure of the co-operative movement and transform the Registrars into friends, philosophers and guides of people, we shall not be able to achieve the aims and objects with which the movement was started.

We are sorry to say that the ideals, traditions and methods pursued and fostered by administrators like Sir P. Rajagopalachari, Dewan Bahadur R. Ramachandra Rao, Messrs. Hemingway, Gray, Hood, Strathie, and Austin have of late received a rude shock. It is inevitable that in the present conditions some who have been brought up in those traditions and who devoted themselves to the service of the movement, in the spirit of those ideals and methods should step out at least for the time being. But whatever else they may lose thereby they retain their most precious possession, the soul of the co-operator. There is an unlimited field for service in the co-operative movement still open to them in which they can toil more usefully and effectively, breathing an atmosphere of freedom to give honest expression to their views on men and matters without the dread of being victimised. It is gratifying to note that two of the present advisers to the Governor are among those who administered the department in the past on right traditions and ideals and we feel no doubt that they and the other advisers to the Governor

will endeavour to restore normality and revive the old genial atmosphere. It will be unfortunate if the impression gets abroad that many things which are now being done to the detriment of the movement are being done with the knowledge and approval of the Government when it is not a fact.

However, the immediate problem confronting the movement in Madras to-day is not so much the drawing of a precise line of demarcation between the relative spheres of official and non-official actions as the ending of internecine strife among the non-official co-operators themselves. Unfortunately, a spirit of intolerance on the part of groups and individual co-operators is becoming increasingly manifest towards those who differ from them or whose actions they disapprove. The existence of mutual distrust and suspicion resulting in conflict among non-officials themselves will indeed itself furnish a handle for official intervention in matters which are purely concerns of the non-officials themselves. Human nature being what it is, it will be surprising if such differences are not exploited to the disadvantage of both parties to the quarrel.

No movement much less the co-operative movement can thrive in such an atmosphere. Many who are outside the fray ask the question 'What next?' We can perhaps only answer it by repeating Mathew Arnold's aphorism 'Things are as they are and their consequences will be what they will be.' But we cannot look on silently in a spirit of stoicism. Our earnest appeal therefore to our fellow co-operators in Madras is 'Pray; do not quarrel over the bed side of the sick mother; compose your differences and unite in the cause of the movement, for the service of the poor which you owe them.'

### CO-OPERATIVE ACTION IN RURAL LIFE.

Dr. B. V. Narayanaswamy Naidu of the Annamalai University in his learned Presidential Address to the 24th Madras Provincial Co-operative Conference, had some interesting observations to make on the social aims of co-operation. He rightly observes that "rural poverty will not cease with rural credit; it must be exorcised with the wand of enlightenment which will drive away ignorance and apathy, which now obstruct the material and moral progress of the villager." He wants organised co-operative effort to improve farming so as to yield increased incomes and development of subsidiary occupations, especially those which can be linked up with production of principal crops, to further supplement those incomes. Added incomes will in their turn tend to advance the standard of living. In other words he wants planned co-

operation and a comprehensive programme of reconstruction of rural life based on the three fold aim of the Irish Co-operators namely "better farming, better business and better living." None in this country will differ from Dr. Narayanaswamy Naidu's vision and objective. But why has it remained a *vision* after four decades of effort? The causes for the failure, or very limited success of the movement—some real, some doubtful, some imaginary,—have been frequently discussed in the past and we do not propose to cover that ground now. We however feel that one factor which goes to the very root of the matter has not received the attention which it deserves, namely, whether the soil of Rural India on which the non-indigenous seed of Co-operation was sown by the officialdom in the beginning of the 20th century was suited to receive it, so as to help it to grow and bear fruit eventually. We think not. At the commencement of the 20th century, in fact some decades before that, on the one hand, the old village community life with its local self-governing institutions and self-sufficient simple economy was virtually obliterated, and on the other, even after a century and half of British rule, modern democratic institutions of the kind which the self-governing countries of the west developed by that time were not introduced, to replace the indigenous institutions which have disappeared in the wake of the British administrative and land revenue system and industrial revolution which destroyed the traditional handicrafts, subsidiary rural occupations, and cottage industries. Few vestiges of corporate rural life were left. A ruthless system of individualistic and competitive economy had stuck deep roots in the soil of the Rural India by 1904. It was into such an environment that the co-operative movement was called into being. We do not deny that the early pioneers introduced the movement with the best of intentions and with a genuine desire to help the rural masses out of the grip of the money lenders and other exploiting classes. We owe a deep debt of gratitude to men like Sir Frederick Nicholson, Mr. Duperne, Sir Daniel Ibbotson and Mr. Henry Wolff. But the official idea that the Indian Co-operative Movement could be successfully started on the 25th day of March in the year of grace 1904, with an unbuttressed primary credit society, at the point where Raiffeisen commenced his experiment half a century before that date in Germany, under conditions and circumstances very dissimilar to those of Rural India, must appear to be strangely anachronistic to students of economic history of India. As is aptly said: "The old tree was allowed to wither away and the grafting that was done has brought forth fruits which the intended beneficiaries neither relish nor long for." So, the very foundations of our rural economy may have to be relaid and a new socio-economic

structure erected if we really expect movements like the co-operative movement to succeed so as to organise rural population to solve the varied problems of their lives themselves, through genuine co-operative management of their institutions.

We therefore hope that when the law governing the formation and administration of statutory village panchayats and other higher local self-governing bodies is recast in the various provinces of India, efforts will be made to ensure due co-relation of the activities of the villager in all spheres of his simple but indivisible life and to once again infuse corporate life into the villages. We have tried on former occasions, through the pages of this journal, to place before our readers our views in regard to the right type of statutory village panchayat, which should function side by side with the co-operative society. We are glad to find that the articles we published on the subject attracted the attention of Mr. Harold H. Mann from whom we received a letter (portions of which we are delighted to publish below) \* not only appreciating the humble

Woburn Experimental Station,  
Husborne Crawley  
Bletchley, England.  
30th July, 1941.

In the course of his letter Mr. Harold H. Mann says: "I am glad that even in the present disturbed times, there is still enough interest and enthusiasm in the co-operative movement to allow of the issue of a Journal like this.

I am particularly interested in the article on Village Panchayats in the Madras Presidency, and have noted the wise remarks which the author makes in this connection. I wish the central authorities would trust, far more than they are willing to do, the village people. But we suffer in England from exactly the same lack of trust of the smaller local administrative bodies. I am very glad that you yourself have resisted the proposal to confuse the Panchayat, which is an administrative body, with the village co-operative society, which has economic functions.

On the whole, the outlook for the co-operative movement as hitherto organised and as shown by the various reports summarised in this number of your Journal, makes me rather doubtful as to whether a very different attitude is not required to the movement by the authorities than has been the case in the past. But that is a matter which requires a longer discussion than can be given in a letter such as the present.

With again my very sincere thanks for sending me the numbers of the Journal.

Yours sincerely,

(Sd.) HAROLD H. MANN.

work done by this Review but also the views expressed therein in regard to the lines on which action is to be taken in India to reconstruct the village panchayats and the co-operative institutions.

Schemes of rural reconstruction on a co-operative basis are in progress in more than one province in India as will be seen from some interesting extracts we have published in this issue. The report on the working of the Alamuru Rural Bank is indeed informing. The bank has a membership of 1,272 drawn from the ranks of various rural occupations and several castes. The most striking feature of this institution is that the Harijans form the largest single community in its membership. They number 403 that is, about  $1\frac{1}{3}$  of the total number of members. Judging from the transactions of the society these Harijan members do not seem to have suffered in any way on account of their being landless and much poorer when compared with other communities. Incidentally this experiment explodes the belief that if a co-operative credit society is organised on limited liability basis there will be no place in it for poorer classes. The position which Harijans enjoy in this society is a complete answer to that belief.

A co-operative scheme for land settlement in Madras, recently started by the Provincial Government, is another example of co-operative action in rural life which has a certain amount of promise in it. The scheme is being tried in select areas and recently a fourth settlement was started in the Salem district. The following is a brief account of the scheme: "The Government of Madras has made provision, in the provincial budget for 1941-42, for a land settlement scheme on a co-operative basis. This scheme originated in the fact that a good deal of the land which the government assigned in the past to the landless had soon found its way into the possession of rich and influential neighbours. The Government has therefore decided that a special attempt should be made to ensure that land assigned to the poor is retained in their ownership and their utilisation. To this end, a recent Government communique points out that assignment will no longer be made to individuals but to groups of settlers formed into co-operative societies. Assignments will be made of compact blocks of land, each block being allotted to one or more co-operative societies consisting of members of the landless poor specially organised for the purpose. The main objects of these societies will be: to hold land from the Government, divide it according to a settlement scheme approved by the Government, and distribute the holdings among the members; to arrange for the reclamation of lands, if necessary, and to ensure their cultivation; to purchase or own implements, machinery and cattle for hire to members; and to borrow funds from the central

co-operative banks or others, on the security of the land assigned to them to be utilised for granting loans to members for agricultural expenses, including reclamation of lands." But such experiments can succeed on any appreciable scale, only when the village life itself is reorganised on the basis of self-governing community basis.

The co-operative movement is often subjected to the criticism that rural credit dominates it. We were never able to appreciate this criticism. No one overlooks the importance of non-credit activities. But credit to the agriculturist is still the main desideratum of our rural economy. It is a mistake to suppose that it is only in India that the tiny village bank occupies a very important part in the co-operative movement. In the very interesting account of 'Co-operative Action in Rural Life' published by the League of Nations, the following observations are to be found in regard to the credit societies in Europe. "Co-operative societies which, with or without accessory functions, organise and attempt to satisfy the need for credit in rural districts, are by far the most widespread type." With reference to the figures collected in about 22 countries in the continent of Europe for the year 1936-37, it was found that there were 59,000 rural credit societies with a membership of over 7½ millions. It is said "often these tiny village banks have no other premises than the secretary's or treasurer's home, and there is no external sign of their existence. The operations they conduct are modest when considered one by one, but they are numerous and the total transactions amount at the end of the year to a considerable figure." The brochure proceeds to observe "the growth of rural co-operative credit societies not only proves the imperious need for short and medium term credit felt by the small-holders; it also brings out the eminent fitness of co-operation to satisfy this need... Credit co-operative societies have done more than anti-usury laws—which are too easily evaded, with the connivance of the borrowers themselves—to suppress the usurer, who, were it not for co-operation, would in many countries be the sole and therefore the indispensable supplier of the credit required. Where he still exists, the usurer is as a rule not only a money-lender but also the village trader, who collects and markets the crops of his debtor-customers and provides them with the consumption goods, seeds and fertilisers which they need. He can be eliminated only on condition that he is replaced, and replaced, not only in one of his functions—supplying credit—but in all the useful functions he performs."

If it was so in European continental countries, it must be obvious that it applies with greater force to conditions of rural India. We therefore still strongly hold the view that in any scheme for the reform

of co-operative movement the reform of the village credit society with or without accessory functions should occupy a predominant place. When the village panchayats are reconstructed so as to foster the community life of the rural masses and the village co-operative societies are reformed and strengthened, the growth of other more or less specialised and homogenous co-operative institutions to deal with the special needs of the villager will follow as a matter of course. Perhaps the most promising and fruitful line of action in our future programme of planned co-operation is the development of co-operatives for promoting cottage industries. The example of China with its 30,000 industrial co-operatives specially in its western provinces, handling numerous cottage industries, open to us a vast field of research to be followed by action suited to our rural economy.

#### ADDITIONAL REMITTANCE FACILITIES TO CO-OPERATIVE BANKS

We publish in this issue the portions which deal with the actual remittance facilities to Provincial Co-operative Banks embodying the revised scheme of the Reserve Bank of India. It is gratifying to note that the Reserve Bank, as a result of further representations made to it by the Provincial Banks, has deleted a clause incorporated in the original circular which has given rise to much dissatisfaction among the Provincial Co-operative Banks. The clause in question which was sub-para 5 of para 5 of the scheme ran as follows: "If any of the Provincial Co-operative Banks or affiliated Central Banks enjoying the above facilities works on lines not approved by the Reserve Bank, the above facilities would be withdrawn from it in consultation with the Registrar." It is now deleted.

A further important modification consists of the following addition made to sub-para 3 of para 4 of the original scheme. "A branch of the Provincial Bank or any affiliated Central Bank at a place where there is no branch of the Imperial Bank will be granted the facility of making remittances under sub-paras 2 and 3 from an account which it maintains with a branch of the Imperial Bank at a nearby place. This facility will be available only from one branch of the Imperial Bank and will be granted on the Provincial or Central Bank declaring to the office of the Reserve Bank at which the principal account is maintained, the place at which it is to be enjoyed." Provincial Banks which join the amended scheme thus promulgated by the Reserve Bank will have also the following facility. "An amount of Rs. 10,000 or a multiple thereof between the accounts maintained by the Provincial Co-operative

Banks at the offices and branches of the Reserve Bank, free of charge; this facility will be available only between Banks joining the scheme."

We are gratified at the changes mentioned above. But we still feel that the Provincial Co-operative Banks are not placed "more or less on the same footing as the Scheduled Banks, for the purposes of remittance facilities," even under the modified scheme as the circular professes to do.

For instance it is not clear why the Reserve Bank should use its power of granting and withdrawing remittance facilities to compel Co-operative Banks to prepare their balance-sheets in the form suggested by the Reserve Bank. While it may be useful for Co-operative Banks to evolve a common standard form for the preparation of balance-sheets and audit certificates, the matter must be left to the Co-operative Banks themselves to evolve a suitable form and not for the Reserve Bank to dictate. Another condition that is imposed also seems to us irksome and unnecessary. It contemplates withdrawal of remittance facilities from Co-operative Banks should they use those facilities for what may not be deemed 'bonafide co-operative business.' The term is not defined and we know that in practice it lent itself to different interpretations in the past. The business of the Co-operative Banks is regulated by their own constitutions and by-laws. In so far as the concessions given to Co-operative Banks are merely those enjoyed by the Scheduled Banks and no more, it is difficult to understand why the Reserve Bank should make the enjoyment of these concessions liable to withdrawal from Co-operative Banks if the facilities were used for what may not be deemed bonafide co-operative business, especially when the Provincial Co-operative Banks are now being called upon under the scheme to maintain free balances with the Reserve Bank of India on a 50 per cent scale prescribed for the Scheduled Banks.

This discrimination apart, we feel that the scheme is one which the Provincial Co-operative Banks in India should join. The treatment of Central Banks\* affiliated to Provincial Banks as its branches is a valuable concession. It is a recognition of the fact that the Central Banks and the Provincial Bank form integral parts of the same financial structure and that they cannot be looked upon as independent units. We understand that the Bombay and the Punjab Provincial Co-operative Banks have already joined the Scheme and Madras has also agreed at the last Board Meeting to join the scheme.



## EXCESS PROFITS TAX AND CO-OPERATIVE BANKS

Under section 60 of the Income Tax Act, the profits of a Co-operative Society from *business* as distinct from investments are exempt from income-tax by virtue of a notification. But such profits are liable to Excess Profits Tax. The All India Co-operative Associations at their meeting held at Jubbulpore in April 1939 passed the following resolution. "This meeting, while recording its grateful thanks to the Central Government for the relief given to co-operative societies in respect of supertax and income-tax, requests the Government to exempt co-operative societies from the operation of the excess profits-tax, for the levy of such tax will considerably reduce the ability of the banks, which are working on low margins, to serve the interests of the agriculturists by keeping the rates of interest charged by rural societies to the members at the present level."

The intention of the Government in giving exemption to Co-operative societies in respect of Income tax is that co-operative societies require special relief from taxation in order to promote and foster the movement in India, which mainly serves the agriculturists and the poorer urban classes. The same consideration ought to apply to a much heavier tax like excess profits tax. Moreover, we believe the main aim of the levy of excess profits tax in India, *at present*, is to secure to Government the benefit of additional profits which accrued in business and industries on account of the war. We need hardly point out that the position of the co-operative societies stands on a different footing in this respect from business and industrial concerns. In as much as they conduct business for service and not for profit co-operative societies have not extended the scope of their operations because of the situation created by the war. If in any co-operative institutions the profits have expanded, such expansion of profits is due entirely to circumstances unconnected with the war. It may be due to the normal progressive development of the business or to the undertaking of business operations of types or in areas not hitherto covered.

We believe the All India Associations when they meet next, take up this question again and submit suitable representations to the Government of India and the Central Board of Revenue.

## PAID SECRETARIES FOR CO-OPERATIVE BANKS:

## NEW MADRAS RULE

We publish elsewhere a new rule framed under the Madras Co-operative Societies Act which is to be numbered as Rule No. XXVII-a.

It provides for paid secretaries being appointed by every financing bank and every society with Limited Liability with a working capital of not less than Rs. one lakh and every mortgage bank which has advanced loans to the extent of not less than Rs. 3 lakhs. We are in general agreement with the aim and object of this rule. We subscribed to the recommendations made on the lines of this rule as a member of the Townsend Committee, 1928, and the Madras Committee on Co-operation, 1939-40, and we adhere to those recommendations. The advantages of having a qualified paid secretary for institutions of these types are obvious and the case for the amendment does not require any elaborate argument.

We, however, suggest one or two modifications to the proposed rule. The words 'every registered society with Limited Liability' apply to societies other than credit societies like urban banks, for instance to loan and sale societies and consumers' stores of which many are still in an undeveloped condition. Their transactions may amount to a lakh of rupees, but it is difficult to say that all of them can afford to employ a qualified paid secretary. We think that it is desirable to confine the application of the rule for the present to financing banks, urban banks and land mortgage banks.

In regard to financing banks there is no bank in this province with a working capital of less than Rs. 3.92 lakhs. But in the case of urban banks the limit prescribed may be slightly altered so as to make the rule apply to urban banks with a working capital of *over* Rs. one lakh. This will give relief to urban banks which are just on the margin.

In regard to land mortgage banks, while the test laid down is on the whole a satisfactory one, cases may arise which will legitimately call for exemption. Of the 119 primary land mortgage banks in the province, 28 banks or roughly 22 per cent of the number have a loan business of Rs. 3 lakhs, and more. From a study of the balance-sheets of these banks it will appear that the profits made by them do not always depend upon the size of the loan business. *Two* of these 28 banks make a profit of under Rs. 1,000 each, while 8 others make a profit between Rs. 1,000 and Rs. 2,000. The other 18 banks make a profit of Rs. 2,000 and more each. It may also be added that 41 primary land mortgage banks, roughly a third of the total number are working at a loss. Even among the bigger banks it may be noted that profits do not follow the size of the loan business. For instance a bank with a loan business of Rs. 8.3 lakhs (Bhimavaram) made a profit of Rs. 3.5 thousands whereas a bank with a loan business of Rs. 7.19

lakhs (Alamuru) made a profit of Rs. 4·7 thousands. These banks have to carry the prescribed proportion of the divisible profits to the statutory Reserve and pay their members a dividend of 5 per cent to maintain their stability and popularity. They are also now to pay for services hitherto lent free by the Government. So the test laid down may not always justify the expenditure which will necessarily be involved in maintaining a qualified paid secretary. We are not suggesting the abandonment of the application of the rule to land mortgage banks. But we suggest that power may be given to the President of the Madras Central Land Mortgage Bank, in consultation with the Registrar, to give exemptions in proper cases to such primary banks whose financial position may not enable them to command the services of a paid secretary.

## THE WORKING OF THE RESERVE BANK OF INDIA

By

KRISHNA KUMAR SHARMA, M.A., B.COM.,  
*Head of the Commerce Department, Meerut College.*

The period after the war of 1914-18 witnessed the emergence and growth of Banks of Issue. The International Financial Conference held at Brussels in 1920 passed a Resolution that in countries where there was no Bank of Issue, one must soon be established. This policy was widely given effect to, and the existing Central Banks were reorganised, while new ones were established in the midst of the Depression. The Reichbank was reorganised according to the Dawes Scheme and new Central Banks were established in South Africa, the South American States, Austria, Canada and India.

The main reason for the establishment or reorganisation of Central Banks was the necessity to stabilize the currency system and to exercise an adequate control over the banking system. In India the need for establishment of the Reserve Bank was felt for a long time. Sir Basil Blackett, introducing the Reserve Bank Bill in 1927 remarked: "We shall see the development of a discount market and acceptance business, of increased facilities for the marketing of produce, and, in short, a gradual mobilization of India's immense potential capital for the development of India's own resources." The Royal Commission on Indian Currency and Finance in this connection remarked: "The evidence has clearly brought out the inherent weakness of a system in which the control of currency and credit is in the hands of two distinct authorities whose policies may be widely divergent, and in which the currency and banking reserves are controlled and managed separately one from the other. It has brought out the necessity of a unity of policy in the control of currency and credit in a modern financial organisation, if monetary stability is to be achieved ..... . It is only through the establishment of a central banking system with the facilities of re-discounting it affords, that this end can be achieved.\*

It will thus be seen that the object of the establishment of the Reserve Bank of India was the co-ordination of the banking and

\*Vide paragraph 83 of the Report.

currency system of the country and the development of a discount market. The success or otherwise of the Reserve Bank must, therefore be judged with reference to its achievements in these fields.

The Reserve Bank of India was established on 1st April, 1935, in accordance with the provisions of the Reserve Bank of India Act, 1934. It is a shareholders' bank with a share capital of Rs. 5 crores, divided into shares of one hundred rupees each, fully paid up. The whole of the share capital is owned by private shareholders, with the exception of shares of the value of Rs. 2,20,000 allotted to the Central Government for disposal at par to Directors of the Central Board of the Bank who seek to obtain the minimum share qualification

There are separate registers of shareholders at Bombay, Calcutta, Delhi, Madras and Rangoon. Each of these registers serves a separate area, and there is provision in the act for the transference of shares from one register to another, subject to the restriction that no person shall hold shares of the face value of more than Rs. 20,000. Each shareholder has one vote for every five shares, subject to a maximum of ten votes. Persons domiciled in India or Burma who are subjects of His Majesty's Government and subjects of Indian States can be shareholders. British subjects ordinarily residing in India or Burma and domiciled in the United Kingdom or in British Dominions, where no discrimination is made against Indians, can also be shareholders. The same provisions apply to companies or firms which can also become shareholders.

The business of the Bank is conducted by a Central Board consisting of 16 directors—a Governor, two Deputy Governors appointed by the Central Government after consideration of the recommendations of Central Board, four directors nominated by the Central Government, eight directors elected by the shareholders, and one Government official nominated by the Central Government. There is a local Board for each of the five areas consisting of (a) five members elected from amongst themselves by the shareholders concerned and (b) not more than three members nominated by the Central Board from amongst the shareholders on the register of that area.

**Functions of the Bank.**—According to the preamble of the Act the Bank was constituted to regulate the issue of bank notes and keep the reserves with a view to secure monetary stability in British India and generally to operate the currency and credit system of the country to its advantage. Hence the Bank is entrusted with the powers usually possessed by Central Banks. *Firstly*, the Bank has the sole right to issue bank notes in British India. *Secondly*, it holds the cash balances

of the more important commercial banks. The latter have to maintain with the Bank a balance of not less than 5 per cent, of their demand liabilities and 2 per cent of their time liabilities. *Thirdly*, the Bank is under an obligation to sell sterling at a rate not below 1sh. 5<sup>49</sup>/<sub>64</sub>d. and to buy sterling at a rate not higher than 1sh. 6<sup>13</sup>/<sub>16</sub>d. for a rupee. Thus it is required to maintain the stability of the external value of the monetary unit. *Fourthly*, it is the Banker of the Government and holds their cash balances and does all banking business of the Central and the Provincial Governments.

In addition to the above functions, the Bank is authorised to transact other business usually transacted by Central Banks, e.g., accepting money on deposit without interest, rediscounting of bills and making of loans and advances under certain conditions issue of demand drafts, purchase and sale of securities, and making of agency agreements with other Central Banks. The Bank is also under no obligation to supply, in exchange for currency notes of rupees five and upwards, notes of lower value or other coins which are legal tender, in such quantities as may, in the opinion of the Bank, be required for circulation. It also gives advice to banks, Government and the public on banking and financial matters, and finally, it shapes its day to day currency and credit policy in the light of the prevailing financial conditions.

The Bank was formally inaugurated on the 1st April, 1935. It had to do much preliminary work, and its first official Bank rate was announced on the 4th July 1935 and it established statutory contact with the scheduled banks on the following day.

## II

The Bank's working will now be examined under four main heads: (a) its control over the currency system of the country, (b) its position as a Bankers' Bank, (c) its policy in relation to the provision of agricultural credit, and (d) exchange control.

**Control over the currency system.**—The Bank has been entrusted with the sole right to issue bank notes in British India. According to the Burma Monetary Arrangements Order of 1937, the Bank has also the sole right to issue bank notes in Burma. In the interests of stability, the issue of and control over, currency should be in the hands of a Central Bank. It is not impelled by the profit motive, and at the same time it is required by law to maintain an adequate proportion of reserves against its note issue. The Reserve Bank has a separate Issue Department for this purpose and it has adopted the model of the Bank of England. Of

the total assets, not less than 40 per cent must consist of gold coin, gold bullion or sterling securities, and the amount of gold should not be less than Rs. 40 crores in value. The rest may be in rupee coins and rupee securities. With the previous sanction of the Central Government, the gold holdings of the Bank may be less than 40 percent, for limited periods, provided that it pays a specified tax on the deficiency. In actual practice a far higher percentage has been maintained by the Bank, the average percentage being 57.41.

Expansion of currency can be effected by increasing any of these forms of assets and issuing equivalent notes from the Issue Department. Contraction can be done by withdrawing notes from circulation and reducing any of the assets. The expansion of currency is ordinarily done by transferring rupee or sterling securities or both from the Banking to the Issue Department or by creating *ad hoc* treasury bills. Contraction takes place in the reverse circumstances. Sometimes currency is expanded or contracted on account of the revaluation of securities held in the Issue Department.

The note circulation increased towards the end of 1936 on account of the gradual lifting of the World Depression. Thereafter currency expansion took place following the outbreak of the War when there was increased industrial activity. Before the outbreak of the war, there was a gradual withdrawal of rupee coins from circulation; but after the outbreak of the war, the demand for coins increased, particularly for hoarding purposes. Hence the Government had to issue a Notification in June, 1940, penalising the acquisition of rupee coins in excess of personal or business requirements. This led to much inconvenience and to meet the growing demands of the public for coins of small denominations, the Government issued one rupee notes in July, 1940, under the Currency Ordinance 1940.

**Its Position as a Bankers' Bank.**—The Reserve Bank keeps an approved list of banks and grants to them direct rediscounting facilities. Banks having a paid-up capital and reserve fund of Rs. 5 lakhs or over and registered under the Indian Companies' Act are included in the second schedule of the Bank. Their number for India and Burma on 31st March, 1941 was 64. These banks have to maintain with the Reserve Bank a balance of not less than 5 per cent against demand liabilities and 2 per cent against time liabilities. The main object of these reserves is to enable the Central Bank to exercise control over the banking system. In 1940 the Reserve Bank was empowered by law to prohibit defaulting banks from accepting fresh deposits during the continuance of the default and to penalise directors and other officers, who are

knowingly parties to such default. The scheduled banks have also to submit a weekly return to the Bank and to the Government.

These banks are allowed financial accommodation in the shape of rediscount of eligible bills or loans and advances against eligible securities from the Reserve Bank. In extending credit to the scheduled banks, the Reserve Bank has to take into consideration not only the nature of the security offered but also the general character of the investments of the applying bank. The Bank can call for such information as it thinks necessary in this connection, and a scheduled bank requiring such assistance has to supply the information called for. The Reserve Bank has the discretion to refuse to rediscount the paper of any bank without assigning any reason.

The Reserve Bank can rediscount any promissory note or bill of exchange of a scheduled bank, if the instrument arises out of *bona fide* trade or commercial transactions, if it bears two or more good signatures, one of which is that of a scheduled bank, and if it has a fixed maturity not exceeding 90 days. A bill of exchange payable on demand should be accompanied by a separate written agreement to render it acceptable to the Reserve Bank. It is necessary to fix the maturity of the bill of exchange, and hence it is in consonance with central banking practice. The reduction of duty on usance bills to two annas per thousand rupees should cause no inconvenience to the borrowing banks.

Loans can also be made to scheduled banks against trustee securities and against promissory notes supported by documents of title to goods. Under section 17 (4) (d) the Reserve Bank is authorised to make to scheduled banks loans and advances repayable on demand or on the expiry of fixed periods not exceeding 90 days, against the security of promissory notes of a scheduled bank or a provincial co-operative bank, supported by documents of title to goods which have been transferred, assigned or pledged to any such bank as security for cash credit or overdraft granted for *bona fide* commercial or trade transactions, or for the purpose of financing seasonal agricultural operations or the marketing of crops. It will be noticed here that loans can be granted against promissory notes and bills of exchange supported by documents of title to goods. It means that the scheduled banks must obtain from their customers documents of title to goods and not goods themselves as security for loans. In the latter case the scheduled bank would have to create documents of title which it cannot do because it is not his mercantile agent. It follows, therefore, that the scheduled bank must have given an advance to its customer against documents of title to goods and not against goods themselves if it is to pass his paper to the Reserve Bank for obtaining accommodation from it.



**Control over the money market.**—The Bank can also undertake open market operations in emergency cases and vary from time to time the minimum rate at which it will discount eligible bills of exchange. This control is limited, because the scheduled banks are not large borrowers. The control can be exercised by the Reserve Bank when the banks approach it for financial assistance, because they will then be prepared to subject themselves to voluntary inspection. So far these loans and advances have not been high. It can also exercise control by appropriate changes in the amount of treasury bills offered, in the amount of sterling purchased and in the amount of money in circulation; but their methods are not very effective owing to the peculiar character of the Indian banking and currency system.

To a certain extent it is also possible for the Reserve Bank to influence the credit policy of the scheduled banks through variations in their cash holdings by purchasing or selling Government securities in the open market. Purchases of securities by the Reserve Bank, other things being equal, would enlarge the cash reserves of commercial banks and enable them to expand loans and advances. Conversely open market sales of securities would tend to reduce the cash balances of the banks, thereby forcing them to reduce their loans. The Reserve Bank also exercises control by changing its Bank rate.

The Bank keeps itself in touch with non-scheduled banks also. By an amendment to the Indian Companies' Act in 1938 the Bank began to receive a copy of the statutory returns sent by the banks to the Registrar of Joint Stock Companies. The Bank also gives advice to non-scheduled banks asking for it. It has indicated the manner in which it is prepared to give advice and guidance to these banks. It is also helping these banks by giving them special remittance facilities at concession rates. They must be doing banking business in British India and registered under the Indian Companies Act, and they must have a minimum paid up capital of Rs. 50,000 to entitle them to special remittance facilities.

In regard to agricultural credit, the Reserve Bank Act provides for assistance to Agriculture on the usual central banking principles. Firstly the Bank cannot directly make advances to agriculturists. It can grant accommodation only through scheduled banks or the provincial co-operative banks. Secondly, it cannot finance the long term need of agriculture. Agricultural bills which it may rediscount must be drawn for seasonal agricultural operations or for the marketing of crops. Finally, the maximum period for which it can grant loans cannot exceed nine

months. Hence it can lend money only for short periods for tiding over a seasonal shortage of funds.

**Rural Credit Department.**—The Bank has a Rural Credit Department which is not directly entrusted with funds. It collects material on rural credit and gives advice to agencies engaged in the business of rural finance. In its Statutory Reports, it has described the special features of rural finance in India. The bulk of the finance in the country is supplied by the moneylenders and to a small extent, by the co-operative societies. The finance supplied by the moneylenders is costly, and the latter are not directly interested in the manner in which the cultivator utilizes the funds. To control the rates of interest, the reports suggested legislation for regulating moneylending business. It was opined that the co-operative movement could play its proper part in supplying agricultural credit, if it was properly reconstructed and revitalised. The need for developing the co-operative movement is paramount in view of the contraction of credit caused by the debt relief legislation.

Reserve Bank has made it clear that it can assist the reorganisation of rural credit only if the co-operative movement conforms to the conditions laid down by it, namely, the co-operative banks must realise their overdues and the future loans must be made for productive purposes only. The co-operative banks should maintain liquid assets consisting of cash, balance with bankers and Government Securities, which should be at least 40 per cent of their liabilities. They should confine their business to short-term loans which in normal times should be repayable within 9 to 12 months and these loans should not become long-term. If it is done, the societies cannot make profits. Hence this condition is very strict.

To be entitled to rediscounting facilities a provincial co-operative bank should maintain a cash balance of not less than 2½ per cent of its demand liabilities and one per cent of its time liabilities, and it should submit periodical statements to the Bank. The bills must be drawn in proper form, they should bear two good signatures, one of which should be that of a provincial co-operative bank, and their date of maturity should not exceed nine months. They should be drawn for current agricultural operations and for the marketing of crops.

**The Exchange Control Department.**—This Exchange Control Department was opened in 1939. It exercises control over all dealings in India in foreign exchange, gold and securities. It frames rules and regulations regarding the control of dealings in foreign exchange. It acts as the licensing authority for dealings in foreign securities, the

export and import of gold and sovereigns and the export of money and jewels. It has also to keep in touch with the developments in exchange control in other empire countries.

Under the Defence of India rules dealings in foreign exchange, gold and gold securities are controlled and the control is exercised by the Reserve Bank of India through its Exchange Control Department. For this purpose the transfer of funds is allowed within British Empire countries, but parallel restrictions are imposed on conversions into outside currencies in each Empire country. Foreign exchange dealings are allowed only with persons authorized by the Reserve Bank of India. These licensed bankers are allowed to operate subject to certain conditions. Remittances can be freely made from India to the countries of the sterling area. No remittance can be made to an outside country unless the remitter completes an application form stating the purpose for which remittances are allowed. Remittances are allowed for payments of *imports, petty private remittances, travelling expenses*, other trade purposes, e.g., (freight, profits, and royalties), and capital remittances.

Banks cannot sell foreign exchange except to residents in India. This step ensures that foreign exchange is sold only for financing trade and for certain other approved purposes. There is further an export control scheme for certain trades to ensure that the proceeds of exports are returned to India and that exports are financed in certain specified ways so that the maximum exchange value is obtained.

The above are the activities of the Reserve Bank of India. It has to be seen now as to how far is the Bank serving as a true control bank and how far has it succeeded in providing rural credit? As seen above, the Bank is a Government Banker and manages the public debt of the country. Thus the borrowing programme of the Central and Provincial Governments is arranged and planned by it. Hence the financial activities of the Government do not cause such a great disturbance in the market of the country as they did before the establishment of the Reserve Bank of India.

Secondly, it is prohibited from competing with the constituent bankers: but its Bank Rate cannot be said to be as effective as that of other Central Banks. The main reason is that it exercises only a limited control over the money market of the country. Indigenous bankers in whose hands the supply of funds is very large have not yet availed themselves of the direct rediscounting facilities. They are not prepared to give up their non-banking business without which they cannot be granted direct rediscounting facilities by the Reserve Bank. The Reserve

Bank made proposals to them in accordance with the recommendations of the Central Banking Enquiry Committee; but these proposals are not acceptable to them. Hence the bazaar rates are still different from the rates of interest prevailing in the organized money markets of the country. Thirdly, the Bank has not yet been able to develop a discount market. Banks do not present bills for rediscounting to the Reserve Bank of India. Owing to the special facilities given by the Reserve Bank for rediscounting treasury bills, the larger banks have preferred this form of borrowing. The duty on usance bills has been reduced; but the Bank does not get bills for rediscounting. Unless the Bank develops a bill market, it cannot be called a Central Bank in the real sense of the term.

Fourthly, the currency system of the country has not yet been made adequately elastic. There has been an expansion of currency during the War on account of expansion in business and industry and the supply of war requirements. Before the War currency expansion did not take place because of the overvaluation of the rupee in sterling.

Fifthly, beyond reiterating its faith in orthodox central banking practice, the Bank has not so far been an active agency for supplying rural finance. Its Rural Credit Department is not directly entrusted with funds. It is only an agency for collection of information, and for giving advice. In other agricultural countries Central Banks are directly entrusted with funds with which they develop rural credit. The practice of those central banks must be followed by the Reserve Bank of India, and a departure from the orthodox theory of Central Banking is necessary.

The advent of the war has prevented the Bank from recommending a separate legislation for Banks in India, which is necessary for a sound banking system in the country. This legislation was proposed to regulate banking business, but it has been held in abeyance on account of war. The Bank has been in operation for about six years and during this short period of time it cannot be expected to do things which Central Banks in other countries are doing. Perhaps the currency and the banking system of the country would not be able to withstand the shock of the war without the Reserve Bank.

# CO-OPERATIVE CENTRAL BANKS IN MADRAS

## A SURVEY OF THEIR ACHIEVEMENTS AND PROBLEMS

By

T. R. NAGARAJA RAO,

*The Madras Provincial Co-operative Bank Ltd.*

### CO-OPERATIVE CENTRAL BANKS IN INDIA AND THEIR ROLE IN THE CO-OPERATIVE CREDIT MOVEMENT

It may not be out of place to state briefly, by way of introduction, how the co-operative banks differ from the joint stock banks, the position of Co-operative Central Banks in India and their role in the Co-operative Credit Movement.

The question is frequently asked, what is a co-operative bank and how does it differ from other kinds of banks? The co-operative banks and the joint stock banks, broadly speaking, serve the same economic purpose, namely, providing facilities for saving and borrowing. But each has its own distinctive role to fulfil in the sphere of banking. They are complimentary organisations intended to serve the needs of different interests and sections of the community. The co-operative banks mainly serve the needs of the cultivating and the labouring classes and the joint-stock banks serve the needs of industry and trade. This is the main functional difference between the two. The real difference lies in the types of borrowers and the consequential variation in their methods of dealing with them. In a co-operative bank the borrower has an effective voice in the management of the lending bank which is an association of borrowers, actual and potential. Dr. Barou, the author of *Co-operative Banking*, described the functions of a Co-operative Bank in these words.

“The Co-operative Bank spreads the services of the modern financial machinery to sections of the population which would otherwise remain outside the scope of banking. The accumulation of the savings of the masses, their proper management and utilization for the co-operative and individual needs of the working population, are the tasks of co-operative banking. It endeavours to develop co-operative enterprise and extend banking facilities to them.”

This description will apply equally to India if we include agriculturists in the expression ‘the working population.’ In India, agricul-

ture is more a mode of living than a business. 75 per cent of the people in India live in the villages, subsist on their hereditary occupation of husbandry and work on their holdings. As the Hon'ble Mr. V. Ramadas Pantulu put it, "The Joint Stock Banks in India, generally speaking, do not handle Rural Credit which involves cutting up the resources of the Bank into hundreds or thousands of small loans and collecting them in instalments so fixed as to suit the repaying capacity of the borrower and to make due provision for the vicissitudes of the season and other risks associated with agricultural industry." The Co-operative Banks undertake that task. The main functions of Co-operative Central Banks in India are:—(1) to act as a clearing house for the primary credit societies' surplus funds, relending such funds to societies which could employ profitably more money than they could locally secure; (2) To attract deposits from public—individuals and institutions with surplus money to invest—for financing the member societies which has now become the more important function; (3) To provide a safe place for the investment of the reserve funds of societies; and (4) To supervise the working of the member societies.

We have 594 Co-operative Central Banks in India—484 in British India and 110 in the Indian States. The Punjab has the largest number of Central Banks 120; Bengal has 117; United Provinces have 70; Bihar and Orissa together have 68. The total number of banks in those five Provinces is 375 out of 484. Central Provinces have 35; Assam 20, Bombay 11, and Madras 30. In Bombay, the Provincial Bank finances primary societies direct in six districts. In Sind, there are no Central banks at all; the Provincial Bank finances the societies in the Province. The policy in Northern India has been to have small Central Banks which will both finance and supervise member societies. In the Central and South India, the revenue district is generally the unit for a bank. They finance societies but supervision is left to unions. Out of 493 supervising unions in British India, Madras had 263, Bombay 128 and Sind 53—total 444. The ten other Provinces had 49 unions. The Reserve Bank of India's publication relating to Banks in India for 1939 and 1940 prints an instructive map of India showing the distribution of financing banks.

The paid-up share capital of all the Central Banks in India was Rs. 262 lakhs, the reserve and other funds Rs. 403·23 lakhs, the borrowed capital Rs. 2276·96 lakhs and the working capital Rs. 2942·19 lakhs. Of the Rs. 30 crores of their working capital they have lent Rs. 20 crores to primary societies. Of the 484 banks in British India, only 17 have an owned capital of Rs. 5 lakhs and over (share capital and reserve fund together); 162 banks have an owned capital of over Rs. 1 lakh, but under Rs. 5 lakhs. Five lakhs is the minimum requirement for a bank to be included as a Scheduled Bank and there are 42 such Scheduled

Banks in India (excluding Exchange Banks). Out of the 17 in the first category Madras has 7; Bombay 4; Bengal 1; the Punjab 3; and Central Provinces 2. The other Provinces have none. Out of 162 in the second category, Madras has 22; Bengal 44; the Punjab 36; Central Provinces 25; United Provinces 12; Bihar 10; Orissa 7; and Bombay 6.

In the last quinquennium there has been much activity in the sphere of banking in India. There has been an increase in the number of joint stock banks as well as in their resources. At present, there are 64 Scheduled Banks and 1421 non-Scheduled Banks with resources amounting to about Rs. 350 crores. At the same time, several joint stock banks have failed, particularly in the last three years. In India as a whole, 73 banks failed in the year 1938, 86 in 1939 and 60 in 1940; and their aggregate paid up capital was round about Rs. 50 lakhs. Of these failures, the Province of Madras accounts for 37 in 1939, and 18 in 1940. Co-operative banks in India have also had their vicissitudes. In Bihar, Orissa, Bengal, and Berar the co-operative banking machinery is now actually in a paralytic state. There was also a crisis in the Co-operative Movement in Sind but it has since been tided over.

#### CO-OPERATIVE CENTRAL BANKS IN MADRAS

**History.**—The first Central Bank to be started in this Province was the Madras Central Urban Bank, now called the Madras Provincial Co-operative Bank. It was registered in November 1905 and was the 18th society in the Province. The membership of the Bank consisted of individuals and the object was to finance only co-operative societies. The Bank progressed from year to year and was able to meet all the demands for loans from primary societies in the Province. As societies increased, the need for a financing bank in proximity to them was keenly felt. Dewan Bahadur R. Ramachandra Rao, the second Registrar of Co-operative Societies conceived the idea of starting *District Central Banks*. The Salem District Urban Bank which was registered on the 25th January 1909 was the first *District Central Bank* to be started. The Trichinopoly District Urban Bank, the Coimbatore District Urban Bank and the Guntur District Bank, Tenali, were registered before the close of 1910, in the regime of Dewan Bahadur Ramachandra Rao. Their bylaws were modelled on those of the Madras *Central Urban Bank*, but the area of operation was confined to the districts. Membership of the banks was confined to individuals, and they could lend only to societies. In 1912, a new Co-operative Societies Act was passed superseding the Act of 1904, and it permitted the registration of secondary societies. Advantage was fully taken of this Act, and the Department registered Central Banks in the other districts also. By 1920, every revenue district had a Central Bank. The later Central Banks were all of the "mixed" type, that is,

both individuals and societies were admitted to membership. The older Central Banks also changed their bylaws enabling societies to become members. After the completion of the organisation of District Central Banks, the Madras Central Urban Bank was converted into a federation of Central Banks from 1st July 1920. Its name was changed to Madras Provincial Co-operative Bank in June 1931 when its Silver Jubilee was celebrated.\*

**Distribution of Central Banks.**—We have now in the Governor's province of Madras 30 Central Banks, though the number of the revenue districts is 25. One district, Nilgiris, has no Central Bank, but the societies therein are financed by the Coimbatore District Urban Bank. There are four banks in East Godavari District, two each in Vizagapatam, Krishna, and Tanjore Districts. These are big and fertile districts; there is a proposal to amalgamate the Godavari Banks into two. Nine of the Banks have opened 11 branches inside their areas. Central Banks have their offices in 40 places in the Province. The branches are a sort of deposit-gathering offices; societies close by are also enabled to remit their funds and draw their loans from the branch offices. The loans are sanctioned and handled at the Head Office.

**Size of Banks.**—The total number of societies affiliated to the banks is 11,656 of which the agricultural credit societies number 9,258. The bank at Coimbatore has the largest number of affiliated societies, viz., 745. Nine banks have over 500 affiliated societies; 9 have between 300 and 500; and 12 have under 300 societies. Of the 30 banks, 9 have a working capital of over Rs. 25 lakhs; 10 have a working capital of over Rs. 15 but under Rs. 25 lakhs; 8 have over Rs. 5 but under Rs. 15 lakhs; and 3 have under Rs. 5 lakhs. They are exhibited in the following table:—

#### CLASSIFICATION OF BANKS ACCORDING TO WORKING CAPITAL

CLASS I.		CLASS II.	
Over Rs. 25 lakhs.		Over Rs. 15 lakhs but under Rs. 25 lakhs.	
	Rs. (In Lakhs).		Rs. (In Lakhs).
Coimbatore	.. 52·50	Conjeevaram	.. 23·87
Guntur	.. 39·61	Vizianagram	.. 22·30
Krishna	.. 38·15	Ramachandrapuram	.. 20·42
Madura	.. 37·78	Bezwada	.. 20·24
Trichinopoly	.. 37·00	Tinnevely	.. 17·94
Salem	.. 34·14	Amalapuram	.. 17·01
West Godavari	.. 28·26	South Kanara	.. 16·06
Nellore	.. 27·64	Kumbakonam	.. 15·61
Vellore	.. 26·42	South Arcot	.. 15·19
		Anantapur	.. 15·00

\* For its detailed history, vide Mr. T. Raghavendra Rao's article in the January-March issue of the *Indian Co-operative Review*, 1941.



## CLASS III.

Over Rs. 5 lakhs but under  
Rs. 15 lakhs

	Rs. (In Lakhs).
Malabar	.. 13.53
Cocanada	.. 11.66
Cuddappah	.. 11.46
Hospet	.. 10.61
Madras	.. 10.19
Kurnool	.. 9.49
Tanjore	.. 9.19
Chittoor	.. 9.16

## CLASS IV.

Under Rs. 5 lakhs.

	Rs. (In Lakhs).
Chicacole	.. 4.87
Srivilliputtur	.. 3.94
Rajahmundry	.. 3.92

**Note.**—The figures against Banks are their actual working capital as on 30-6-1941.

**Resources.**—The consolidated Balance Sheet as on 31st December 1940 of the Central Banks is exhibited below:—

<i>Liabilities.</i>		<i>Assets.</i>	
	Rupees. (In Lakhs)		Rupees. (In Lakhs)
1. Paid up Capital	.. 49.79	1. Cash	.. 16.95
2. Reserve Fund	.. 35.16	2. G. P. Notes	.. 48.98
3. Other Funds	.. 25.48	3. Debentures of C.L.M.B.	.. 27.93
4. Deposits and Loans:—		4. Deposits in the Provincial Bank	.. 48.51
(i) Current & Savings Bank	69.98	5. Loans to Agricultural Societies	.. 306.81
(ii) Fixed and other deposits	292.38	6. Loans to non-Agricul- tural Societies	.. 88.38
(iii) Provincial Bank loans	68.15	7. Loans due from liquidated Societies	.. 30.72
	430.51	8. Other items	.. 22.66
<b>Total</b>	<b>.. 540.94</b>	<b>Total</b>	<b>.. 540.94</b>

The year-war progress of working capital is given below:—

(In Lakhs of Rupees.)

Year end.	Share Capital.	Reserve Fund.	Borrowings.	Working Capital.
	Rs.	Rs.	Rs.	Rs.
1934	54.83	29.29	425.63	509.81
1935	54.05	30.92	394.61	479.58
1936	50.99	31.76	384.73	467.48
1937	50.32	33.13	384.79	468.24
1938	49.67	33.52	416.38	499.57
1939	49.95	34.22	423.79	507.96
1940	49.79	35.16	430.51	515.46

The working capital now round about Rs. 5½ crores has been practically stationary during the last seven years. The amount borrowed from outside the Movement, on 31—12—40, was Rs. 230·47 lakhs, and from within the Movement Rs. 200·04 lakhs. The owned capital was Rs. 85 lakhs (not including other funds) and the borrowed capital Rs. 430 lakhs.

Comparing the working capital with that of other provinces, we find Madras coming second. The Punjab is the first with Rs. 6½ crores; Madras is second with Rs. 5½ crores; Bengal is third with 5¼ crores; and Bombay is fourth with Rs. 3 crores. The Scheduled Banks having their *registered offices in Madras Presidency* number 10; and their paid up share capital was Rs. 86½ lakhs, reserve fund Rs. 33¼ lakhs and deposits Rs. 943 lakhs. Compared to Scheduled Banks, our Central Banks appear small. That is because we count each bank as a separate unit, though they are really parts of one organization with the Provincial Bank at the top. The resources of the Provincial Bank and the Central Banks together are about Rs. 8 crores to-day.

The maximum rate of interest that Central Banks now offer is 3½ per cent which is the rate at which they can borrow from the Provincial Bank. The lending rate of most of the banks is between 5 and 6½%

**Liquidity.**—The demand liabilities (current and savings accounts) amounted to Rs. 70 lakhs and is almost covered by cash and Government Promissory notes which total Rs. 65 lakhs. Time deposits and loans from the Provincial Bank which total Rs. 360 lakhs are invested in loans to societies and other minor investments. The deposit maturities and expected loan repayments are given below:—

Year.	Deposits maturing. (excluding co-operative deposits)	Estimated Loan Repayments by societies
	(In Lakhs of Rupees)	(In Lakhs of Rupees)
1941 ..	92·79	190·61
1942 ..	30·57	87·82
1943 ..	11·96	not available
1944 & beyond ..	9·95	not available
	<hr/> 145·27 <hr/>	<hr/> 278·43 <hr/>

The loans due for repayment in 1941 is almost double the returnable deposits maturing in that year; loans repayable in 1942 are almost thrice the deposits payable. But in both cases a large proportion of repayable loans represents overdue loans. It must be remembered that the reserve funds of the primary societies amounting to Rs. 105 lakhs have been invested in the banks and these are non-withdrawable practically.

**Statutory Regulations.**—The Government has prescribed regulations for observance by the co-operative banks. A Central Bank's maximum borrowing is limited to ten times its share capital and reserve fund. By a recent amendment to the rules under the Act, the Government have empowered the Registrar to raise, on application, the maximum borrowing limit to twelve times, provided the additional borrowing is utilised for financing loan and sale societies and certain conditions are observed. The Government has also prescribed the scale of fluid resources to be maintained in respect of liabilities—50 per cent of Current Deposits; 25 per cent of Savings Deposits and 50 per cent of Fixed Deposits maturing in the next 30 days. The fluid resources may take the form of cash, government paper or cash credit granted by the Imperial Bank of India. The cash credit granted by the Madras Provincial Co-operative Bank on the security of Government Paper, Debentures of the Madras Co-operative Central Land Mortgage Bank, and on fixed deposits of the Bank, is also allowed to be reckoned as fluid resource in respect of 'outside' liabilities. Fluid resources have also to be maintained for inside liabilities like the cash credits granted by central banks to primary societies. Fifty per cent of the undrawn amount has to be maintained. The cash credit granted by the Madras Provincial Co-operative Bank on securities including the demand promissory notes of primary societies is allowed to be reckoned as fluid resource in respect of cash credits granted by central banks to the societies. A daily fluid resource register has also to be maintained showing the liabilities to be provided for and the fluid resources available. According to the figures on 31-3-1941, the central banks had to maintain fluid resources as follows:

For Current Deposits	..	Rs. 16·89 lakhs
For Savings Bank Deposits	..	Rs. 4·34 lakhs
For Fixed Deposits	..	Rs. 11·66 lakhs
		<hr/>
Total	..	Rs. 32·89 lakhs
		<hr/>

Only three banks failed to maintain the requisite resources on that day.

The Government has also limited the maximum dividend payable by a central bank to 5 per cent. The central banks are audited by the Government staff, private audit not being allowed. The audit fees are recovered from them according to the scale prescribed by Government, the Registrar being given power to show some concession in fit cases. The banks are regularly inspected by Deputy Registrars at the end of every half year. The Provincial Bank occasionally inspects Central Banks, by deputing the directors.

**Investments of Reserve Fund.**—The statutory reserve funds of central banks amounted to Rs. 36 lakhs of which Rs. 33 lakhs were invested in the Provincial Bank and about Rs. 3 lakhs in the Debentures of the Central Land Mortgage Bank. The other reserves amounting to nearly Rs. 25 lakhs are practically invested in the business itself. There is now a proposal to increase the statutory quota to 1/4th the net profits from 1/4th the net profits till the reserve fund reaches the level of the paid-up share capital.

**Loans to societies.**—This is the main business of Central Banks and is shown below:

Year.	Loans to Societies.	
	Granted during the year.	Outstanding at the end of the year.
1934-35	.. Rs. 87.10 lakhs	302.92 lakhs
1935-36	.. „ 109.97 „	303.44 „
1936-37	.. „ 105.88 „	280.62 „
1937-38	.. „ 142.25 „	304.56 „
1938-39	.. „ 201.08 „	350.45 „
1939-40	.. „ 202.70 „	353.00 „
1940-41 (roughly)	.. „ 325.00 „	426.00 „

The total loans granted by Central Banks since their inception amounts to Rs. 38 crores, the largest amount issued (prior to 1940-41) in a single year being Rs. 3 crores in 1926-27. The number of societies that are indebted to Central Banks is 9,242. If even half of them were good and efficient, we should be lending Rs. 5 crores a year. During the

year 1940-41, 5 banks lent over Rs. 20 lakhs; 7 banks lent between Rs. 15 and Rs. 20 lakhs; 3 lent between Rs. 10 and Rs. 15 lakhs; 3 lent between Rs. 5 and Rs. 10 lakhs and 12 banks lent under Rs. 5 lakhs. Some banks that used to lend Rs. 7 or 8 lakhs a year are now lending a lakh or two. In the Circars Banks (the northern Telugu Districts) there has been a great increase of lending in recent years owing to grant of loans on produce. Out of Rs. 92 lakhs lent by the Provincial Bank in 1940-41 for produce loans, Rs. 80 lakhs went to the Circars Banks.

The maximum period for which loans may safely be granted by Central Banks has long been a matter of controversy. Some favoured loans up to 7 to 10 years. We started with the long term loans and the emphasis has been shifted to short term loans only in recent years. A mortgage banking organisation has also been brought into existence. However, in some parts of the Province, the demand for long term loans from Central Banks is persistent. The present policy is not to grant loans beyond two or three years. In fact, a statutory rule is proposed to be enacted that no co-operative bank, other than a land mortgage bank, shall grant loans for periods exceeding 3 years. A long-debated question will at last be settled by a rule. Much might be said on both sides of the question.

**Overdues and Bad Debts.**—This is our sore point. Out of 9,242 societies indebted to Central Banks, 5,597 societies have overdues amounting to Rs. 110 lakhs under principal, and Rs. 2·45 lakhs under interest. A statement showing the demand, collection, balance, and overdues in Central Banks for the year 1940-41 is appended.

According to the Registrar's Report for 1939-40, the total bad and doubtful debts, including loans due from societies under liquidation, amounted to Rs. 40·77 lakhs, as estimated at audit. The bad debt reserve of the Central Banks amounted to Rs. 19·59 lakhs, while their statutory reserve fund amounted to Rs. 34·67 lakhs. Both together more than cover the aggregate bad and doubtful debts. During that year, Rs. 1,23,109 was written off as irrecoverable. The bad debt fund is not separately invested nor it is periodically used to write off bad debts. The recent Committee on Co-operation made some recommendations regarding its investment and use.

**Cost of Management.**—The cost of management of the central banks; including supervisory staff, was Rs. 8·59 lakhs in 1939-40. The net profits of 28 banks was Rs. 2·86 lakhs and the loss of one was Rs. 3512. One bank neither earned a profit nor sustained a loss.

DEMAND, COLLECTION, BALANCE, AND OVERDUES IN CENTRAL BANKS  
AS ON 30-6-1941.

Name of the Bank	Demand for the year 1940-41. (Inclusive of overdues on 30-6-1940).	Collection during the year 1940-41.	Balance out-standing at the end of the year (30-6-1941).	Overdues at the end of the year. (30-6-1941)
Aska*	5,03,970	1,66,987	5,13,239	3,36,983
Berhampore*	3,84,935	3,27,836	4,63,815	68,094
Chicacole	3,95,980	1,69,884	3,30,845	2,26,096
Vizianagram	16,38,187	9,70,608	11,54,491	4,81,519
Cocanada	8,09,364	6,27,488	9,66,639	2,24,593
Ramachandrapuram	11,00,923	14,44,426	16,79,086	59,831
Amalapuram	10,64,983	10,03,488	13,89,755	2,42,927
Rajahmundry	1,73,369	2,02,258	2,69,808	28,119
W. Godavari	22,04,278	18,08,766	23,46,156	3,95,512
Krishna	26,67,934	21,73,983	33,14,939	4,93,951
Bezwada	16,77,137	14,42,410	17,79,323	3,84,262
Guntur	11,15,477	8,24,985	21,78,247	2,90,492
Nellore	7,31,519	2,96,168	8,01,121	4,35,351
Cuddapah	4,85,396	2,23,341	6,89,630	2,62,055
Kurnool	5,24,977	65,605	6,36,832	4,59,372
Hospet	7,37,525	1,71,941	6,09,348	5,13,811
Anantapur	8,79,002	1,33,314	11,24,831	7,45,687
Chittoor	4,52,207	1,31,649	5,91,144	3,20,558
Vellore	10,46,204	2,99,294	18,16,029	7,00,493
Salem	12,59,535	16,34,488	21,65,312	64,204
Coimbatore	17,72,520	14,56,020	24,60,339	3,16,500
Malabar	—	4,83,328	11,02,810	5,36,083
South Kanara	20,99,617	20,19,111	12,57,110	80,506
Madras	6,68,608	7,32,530	6,79,516	38,091
Conjeevaram	15,94,815	3,82,375	16,42,221	11,92,202
South Arcot	11,81,534	2,63,287	11,02,589	9,14,710
Kumbakonam	7,71,452	4,70,144	9,72,962	2,98,702
Tanjore	8,87,936	4,13,633	8,22,899	4,74,303
Trichinopoly	8,61,141	6,31,551	18,25,594	2,29,590
Madura	15,11,836	11,13,727	18,81,454	5,33,726
Srivilliputtur	3,29,448	2,06,504	2,86,027	2,09,016
Tinnevely	5,68,003	6,03,023	7,71,231	59,247

\* The Aska and Berhampore Central Banks, though situate in the Orissa Province, continue to be affiliated to, and financed by, the Madras Provincial Co-operative Bank, Ltd.

**The Provincial Bank and Central Banks.**—The Provincial Bank is a reservoir of money for Central Banks. It is a sort of sponge for them. When Central Banks have surplus funds they deposit them in the Provincial Bank which receives deposits not only from Central Banks but also from others. When they are short of funds they borrow from it. In 1939-40, 24 Central Banks borrowed in the aggregate Rs. 99·81 lakhs; and in 1940-41, 23 Central Banks borrowed Rs. 119·67 lakhs from the Provincial Bank. It has also granted to Central Banks overdraft accommodation to the extent of Rs. 33 lakhs secured by Fixed Deposits, Government Promissory Notes, debentures of the Madras Central Land Mortgage Bank, and demand promissory notes of primary societies. The Central Banks owed to the Provincial Bank, on 30-6-1941, Rs. 99·56 lakhs under time loans, and Rs. 4·85 lakhs under overdraft. Some of the Central Banks have deposited their surplus funds amounting to Rs. 16·81 lakhs in fixed deposits and Rs. 19·42 lakhs in current accounts with the Provincial Bank. All the Central Banks have invested the bulk of their reserve funds in the Provincial Bank, the amount being Rs. 33 lakhs out of a total Reserve Fund of 36 lakhs; of this the Provincial Bank has invested Rs. 17 lakhs in the debentures of the Central Land Mortgage Bank and the balance is held in gilt edged securities.

All the Central Banks have current accounts with the Provincial Bank which acts as a Clearing House in respect of inter-Central Bank transactions. Direct interlending among Central Banks is not permitted. The proceeds of the collection of bills and cheques sent by one bank to another, and of drafts issued by the banks, are all adjusted through their current accounts at the Provincial Bank. For these purposes the Central Banks and the Provincial Bank are like Branches and Head Office respectively. The public are thereby enabled to get their out-of-town items collected, and also provided with facilities for remittance by issue of drafts. Some of the bigger Urban Banks have accounts with the Provincial Bank and also undertake similar work. About 100 towns in this Province are thus inter-connected for banking business transactions.

**Central Banks and the Imperial Bank of India.**—At one time—about 15 years ago—the Imperial Bank was very helpful to Co-operative Banks. It used to grant overdrafts on the security of co-operative paper (pronotes of unlimited liability societies). Now the accommodation can be had only on the security of Government paper. Almost all the banks have such drawing accounts with the Imperial Bank—the total limit at present is about Rs. 30 lakhs. Unless Central Banks are able to accumulate deposits at cheaper rates of interest viz., 2 or 2½ per cent

they cannot invest in Government Paper and the problem of liquidity will remain unsolved. No bank can afford to borrow at 3 or 3½ per cent and invest in Government Promissory Notes earning 3 per cent gross and about 2¾ per cent net. In this country, Liquidity and Government paper are almost synonymous.

**Central Banks and the Reserve Bank of India.**—The Reserve Bank of India affords credit facilities only to the Provincial Co-operative Banks—the Central Banks cannot have direct access to Reserve Bank except in Provinces where there is no Provincial Co-operative Bank. The Reserve Bank is endeavouring to lay down certain standards of credit-worthiness, if Central Banks' paper is to be eligible for discount. On the side of the Reserve Bank, the proposals have taken concrete shape, and the co-operative banks are considering how best to give effect to the suggestions. We have not got a clean slate and old traditions and ideas die hard. As regards the Provincial Bank, every one of the conditions prescribed is satisfied; but its eligibility for credit facilities is coupled with the creditworthiness of Central Banks.

**The Madras Co-operative Central Land Mortgage Bank.**—In any description of the Central Banks of this Province, a brief account of the Madras Co-operative Central Land Mortgage Bank has to be included, as that Bank is really a "Central Bank" by function, though it operates in the whole Province. The Bank was started in December 1929 and its object is the grant of long-term loans to agriculturists. Funds are obtained by debentures which are guaranteed by the Local Government in respect of both principal and interest. Up to 30-6-1941, debentures for Rs. 2.43 crores have been raised and loans granted to primary land mortgage banks, which number 119. They are all members of the M.C.C.L.M.B. The present rate of interest on debentures is 3 to 3½ per cent and the lending rate is 5½ per cent.\*

**Supervision.**—During the last decade, there has been a great deterioration in the efficiency of co-operative societies. A discussion of the causes for the same lies outside the scope of this article. One chief cause is, however, the breakdown in the supervision machinery. The supervising union was expected to maintain the societies in proper working order and efficiency. There were about 450 such unions in this Province about ten years ago. To-day, owing to liquidation and amalgamations, the number has been reduced to 252. For a long

\*See Rao Bahadur C. Gopala Menon's article in the April-June issue of the *Indian Co-operative Review* (1941), for a full account.



time the view that finance and supervision should be separate held the field in this Province, and Central Banks had no direct part in supervision beyond making money grants towards the Supervision Fund. In order to improve the efficiency of unions, several measures were tried and one was the formation of a federation of unions in each district. After trial for about a decade, co-operators and Government came round to the conclusion that Central Banks, under the present circumstances, were the most suitable agency to supervise the working of societies with the aid of unions. The federations have been liquidated. All Central Banks have now established "Administrative Sections" in order to discharge their responsibilities.

**Rectification and Consolidation.**—For the last 10 years this work is being carried on. It was started in 1930-31 by the Provincial Bank granting a subsidy for the special staff employed by the Central Banks, and the work was expected to be completed in 3 years. Inclusive of that subsidy which amounts to Rs. 1,97,507 on date, about Rs. 10 lakhs must have been spent by now on the staff by the Central Banks. The work is yet to be done in about 3000 societies. According to the Registrar's report for 1939-40, the position was as follows:—

i. No. of societies in which the examination was conducted	5,871
	(Rupees in lakhs).
ii. Total amount of loans involved including interest	.. 192.76
iii. Of the above sum, the amount which stands on adequate security	.. 153.48
iv. Total amount which stands on inadequate security	.. 39.28
v. Of the amount in column (iv)	
(a) the amount for which additional securities were taken during the year	.. 2.28
(b) the amount collected during the year	.. 2.30
vi. Balance ill secured	.. 37.70
vii. Estimated Bad Debts in these societies	.. 22.61
viii. Of this, the amount that will affect Central Banks	.. 6.53
ix. Bad Debt Reserves of Central Banks	.. 19.59
x. Amount of loans collected during rectification work	.. 21.77

Much remains to be done. The Registrar writes, "The progress of rectification has revealed hopeless insolvency in more societies than can be wound up at one time. Our policy remains to liquidate only so many each year as our limited staff can handle". At the moment, things are not encouraging.

At one time, we believed that it is impossible for a Central Bank to fail. Events in Burma, Bengal, Bihar, and Berar have shaken us out of that faith. In our own Province, the Christian Central Bank has failed. Though the circumstances of that Bank are special, they are pointers to other banks. No bank can get on with a load of unpaid debts, however liquid its resources may be, however big its reserves, however well audited, and however ably officered or administered. Loans must be repaid *promptly* as well as ultimately. The Registrar writes, "Several banks, though far from insolvent, cannot bring in their money....The most embarrassed banks are those which have their assets frozen in irrecoverable long-term loans.....One or two Central Banks must collapse unless they adopt, rather late in the day, measures they have resisted or ignored." The mere contemplation of liquidation makes one shudder. "We must gird up our loins and clean out our banks" as an American Banker put it.

General.—I have attempted to give readers an outline of the picture of the working of the Central Banks in Madras. The youngest bank is 20 years old, and the oldest is 30. They have got through several ordeals: struggles of infancy; the stress of the last great War; a large expansion of borrowing societies; an easy and quick increase in resources through the influx of Local Board deposits; the rise and fall of prices of land and farm products; the withdrawals of Local Board money (the maximum deposited was Rs. 1.70 crores in 1928-29 and at present it is about Rs. 31.25 lakhs); the withdrawal of the facilities once given by the Imperial Bank; the decline in the efficiency of the primary societies and the supervising machinery. The main problems of Central Banks at present are the diminishing number of good societies and the difficulties of supervision. The demand for long-term loans in certain parts of the Province is also a major problem. Co-operative Banks are compelled by expert advice and force of circumstances to restrict themselves to the grant of loans for 2 or 3 years. As banking concerns, one of their drawbacks is the mass of unliquid paper that they hold, though there may be no doubt about the ultimate safety of the bulk of it. The Provincial Bank, to some extent, gives liquidity to such paper; but that Bank itself will be helpless unless the Central Banking authority recognises such paper as "eligible" for rediscount. It must now be the endeavour of co-operative banks to conform to the banking standards prescribed and attain a high level of efficiency. The Reserve Bank of India is the country's "Money Reservoir". The co-operative banks must link themselves to it, if they wish to have funds cheaply and plentifully.

The Madras Presidency has a federal Co-operative Banking Organization. The primary societies constitute the Central Banks and the Central Banks constitute the Provincial Bank. We have separate sets of organizations for short and long-term loans. The Madras Co-operative Central Land Mortgage Bank is at the head of the long-term loan organization and is constituted by the primary land mortgage banks. Both the organizations, though standing apart, are building up cordial business relations. We are also gradually building up Trading Federations—for Sale Societies and Consumers' Societies. In the fulness of time, the Movement is bound to enhance the prosperity of the people of the Province. In the meanwhile, we must gather strength for the task ahead.

## CO-OPERATIVE CANE SOCIETIES IN UNITED PROVINCES

By

RAJESHWARI PRASAD MATHUR, M.A.,

*Assistant Registrar, Co-operative Societies, Meerut.*

The phenomenal rise of the sugar industry is one of the chief features of the industrial progress of the country during the last decade. From an insignificant position it has jumped to the second place among the industries of India. Owing to various causes the industry has been concentrated in the United Provinces and Bihar. In the United Provinces the number of factories working in 1932-33 was 33: it rose to 59 in the following year and gradually increased to 71 in 1938-39. In Bihar the number rose from 19 in 1932-33 to 33 in 1938-39. It would thus appear that between themselves these two Provinces have more than 100 factories out of a total of 143 reported to be working in 1938-39. As regards production of sugar the United Provinces manufactured in the season 1937-38, 531,300 tons of sugar (57 per cent) and Bihar 225,300 tons (24 per cent) out of a total of 930,700 tons for the whole of India.

The rapid expansion of the sugar industry has given rise to numerous problems—licensing of factories, zoning or reservation of areas, regulation of cane supplies, development of cane, supervision of weighments and payments for cane-purchases, fixation of cane prices, improvement of transport, adjustment of relations between factory owners and labour, etc. The Government have been endeavouring to cope with these problems and have succeeded in solving or nearly solving most of them while a few are still awaiting solution. In the United Provinces, co-operative societies have played an important part in assisting the solution of some of the chief problems notably the regulation of cane supplies and development of cane. It is proposed to describe in the following paragraphs the organisation, constitution, functions, scope and achievements of these societies in the United Provinces.

**History of Co-operative Organisation.**—During the first years of the development of sugar industry following the grant of protection in 1932 there was considerable inefficiency and confusion visible, chiefly in the matter of cane supplies. Factories sprang up without any method, sometimes two at the same station. They made no intelligent arrangements for cane-supply. The cultivators brought cane in bullock carts to the factory without any system, with the result that thousands of

carts accumulated where only hundreds could be consumed in a day. The inevitable consequence of this disorder was that cultivators had to wait for several days before their turn for weighment came. The cane dried in the meantime, causing loss in weight to the cultivator and loss in sucrose value to the factory. The great congestion of carts led to numerous other abuses, whereby middlemen made a rich harvest at the expense of the helpless grower. Some factories openly employed middlemen as cane-suppliers, who did practically no useful service beyond fattening themselves. This confusion was worse confounded by the absence of any reservation of areas for particular factories. The cultivators at the gate of one factory would take their cane to another factory in the hope of early disposal, only to be disillusioned on reaching the other factory. Some factories employed agents for purchasing cane at outstations and transporting it by rail to the factory. These agents became synonymous for swindlers. They took advantage of the helplessness of the cultivators and cheated the growers by all possible means—under-weighment, under-payment, etc. To crown all, there was no fixed minimum price of cane and some factories took a very mean advantage of this want of Government control. One factory paid the growers only Rs. 0-3-6 per maund for cane for a considerable period and itself made a huge profit; another refused to pay more than Rs. 0-5-0 a maund (in spite of official pressure) and ended the season by a profit of six lakhs of rupees. This early chaos led to considerable agitation. The Government of India passed the Sugar cane Act, 1934, enabling Provincial Governments to frame Rules to control prices of cane as also other matters relating to weighment and purchases of cane. The United Provinces Government introduced its first Rules in 1934, which were subsequently revised in 1936. Under these Rules a system of fixation of minimum prices was evolved and gazetted officers known as Cane Inspectors were appointed to administer the Rules intended to remove the abuses that had unfortunately crept in. But no steps were taken to zone out areas for factories and the confusion and congestion in cane-supplies remained till the enactment of the Sugar Factories Control Act, 1938. There were, of course, a few old and efficient factories which successfully regulated their supplies, but their number was very small. It may be added that during these early years no steps were taken to improve the quality of cane. The provincial recovery at that period was about 8·5 per cent only (i.e., 100 mds. of cane produced only 8·5 mds. of sugar).\*

\*The recovery of sugar per cent cane is about 11·8 in Java and Hawaii, 11·2 in Philipines; 12·5 in Cuba, and 13·0 in Formosa. In India it has now risen to about 9·7.

One would have thought that co-operators would step in to solve the problems indicated above. But the co-operative department of the United Provinces was then very small with limited resources of staff and funds, factors which circumscribed its capacity to take up new organisation on a vast scale. Still co-operative effort on a small scale was made at various places in the Province. Co-operative primary societies and unions for supply of cane were formed at Ghughli (Gorakhpur district), Deoria (Gorakhpur District), Dehradun, Muzafarnagar, Sitapur, and Meerut. They certainly did useful and pioneer work. But they worked under several handicaps. There was no law to assist them. The factories had the option to enter into a contract with them or not; they could, if they like, ignore the organisation and deal with the members direct. At many places officers had to canvass customers for these societies. There was no fixed rate of commission either and at most places the societies found the factories refusing them a square deal. Their resources were, in the nature of things, poor and so they could not embark on any elaborate programme of cane development. Their area of operations was usually very vast and in some cases, far from compact. These factors reduced their capacity for effective work. In spite of these drawbacks, these earlier supply societies were extremely useful in creating a nucleus for future co-operative organisation of a more thorough nature. The services rendered by these societies to the growers were two-fold. They provided advance of money to the cultivators and they made arrangements for the regulation of supply of cane (though no satisfactory regulation of cane-supply was possible till the introduction of zoning by Government).

The first organised attempt to tackle the ills of sugar industry was made by the Government in 1935 when they got a small grant of about a lakh of rupees from the Central Sugar Excise Fund "for the improvement of cane cultivation with a view to its co-operative marketing." A co-operative-cum-agricultural scheme for the organisation of supply and development of cane on a contributory basis was offered to the factories. Government undertook to develop the cane in the gate areas of such factories as were willing to pay an annual contribution of Rs. 3,000 to Government and to purchase cane through a co-operative society organised in the area paying a commission on supplies at the rate of 3 pies per maund. Each unit was to consist of one Assistant Cane Development Officer, three Supervisors and nine *Kamdars* who were expected to improve and develop an area of about 2,000-2,400 acres of cane in four years. The annual cost of a unit was estimated at Rs. 9,000, as follows:

	Rs.
One Assistant Cane Development Officer on Rs. 80-5-150; peon on Rs. 10 and T.A. Rs. 20 p.m. ..	1,320
Three fieldmen supervisors on Rs. 30-1-40; Porter on Rs. 7 and T. A. at Rs. 8 p.m. each. ..	1,620
Nine <i>Kamdars</i> on Rs. 15 each ..	1,620
Seed and manure subsidies ..	4,000
Miscellaneous ..	300

Of this Government was to put in Rs. 6,000 and the factory Rs. 3,000. 22 factories joined the scheme at the very start. By the end of 1937-38 as many as 30 units were under operation.

The primary intention of this scheme was "the introduction into every day practice of this area of those essentials of higher and better quality production which research and testing has definitely established as necessary, if a larger yield and a more economic yield is to accrue to the grower and if he is to provide to the factory a produce in which the sucrose is better and in which the cane and sucrose needs of the factory are met and maintained over as long a season as climatic conditions permit." This was to be achieved through an elaborate programme of agricultural development, the chief points of which were as follows:

(1) The introduction of high yielding and effective sucrose containing canes of early, mid-season and late ripenings; establishment of seed farms and farmers on a subsidised basis.

(2) Improvement in the existing standards of manuring (a) as by green manure and compost extension (b) by supplies on credit of departmental fertilizer mixtures.

(3) Propaganda for correct cultivation of cane by right spacing and more effective inter-cultural methods.

(4) In case of irrigated areas, the adjustment of the provision of water in collaboration with the canal authorities.

(5) Organisation of co-operative measures to reduce the incidence of insect pests.

The whole scheme was to be carried out with the active assistance of the growers themselves, who were to be organised into a co-operative society. This society was also to take up the marketing of the cane of its members.

This brilliant scheme was conceived jointly by Mr. R. G. Allan, I.A.S., the then Director of Agriculture and Mr. Vishnu Sahay, I.C.S.,

the then Registrar of Co-operative Societies. It has remained the basis of Government activities ever since. For sometime the scheme was administered jointly by Messrs Allan and Sahay, but since the departure of Mr. Allan in 1936 Mr. Sahay alone has been in charge. His execution of the scheme has been as brilliant as its conception.

From the very start the scheme was a grand success. The quality and yield of the cane produced by improved methods surprised both the cultivators and the factories. The regulation of cane supplies by the co-operative societies also was extremely satisfactory and a great contrast to the prevailing confusion. But the factories in general did not seem to like the control over their supplies and payment of a commission for it. Many petty disputes about definition of 'developed cane,' payment of commission for non-developed cane, enrolment of members etc., arose. The agreement between the Government and the factories under the Allan-Sahay scheme was interpreted by the factories to mean that they were under an obligation to accept only the 'developed' cane of the members of the co-operative society. These disputes were patched up by official intervention. But it was clear that the law as it then stood left the co-operative societies practically at the mercy of the factories. Besides, the benefit of co-operative organisation could be given only to a limited area, as most factories did not join the scheme. Apparently it was fear of organisation of growers and perhaps of Government "interference" which scared most factories, for upto the end of 1937 not even half the factories of the United Province entered the scheme. Thus the voluntary nature of the Allan-Sahay scheme proved a handicap to its rapid development.

With the advent of the Congress Government in July 1937, the problem of the sugar industry and specially those affecting the cane growers received immediate attention. Within a year the Sugar Factory Control Act, 1938 was passed and action on some points had been taken even before the enactment of this legislation. The following are the chief measures taken:—

(1) The construction of new factories as well as extension of existing ones were made subject to the grant of a license by the Provincial Government (Section 9, S. F. Control Act, 1938).

(2) The factories were to obtain an annual license for crushing cane (Section 10). Government also assumed power to impose conditions to these license in respect of membership of Syndicate, prices of sugar, grading etc. of sugar, minimum quantity of cane to be crushed, terms of employment of labour etc. (Section 11).



(3) Specific areas were to be reserved for each factory in order to make development of cane and organisation of cane-supply within the area possible.

(4) The system of fixation of minimum prices was revised.

(5) For the first time co-operative societies for cane supply were given special consideration. The factories are now bound to accept and from a co-operative society within a reserved area and to pay it a commission fixed by rules. No question of 'developed' or 'undeveloped' cane can thus arise. They are also prohibited from dealing directly with members of co-operative societies. In fact the very form of agreement to be entered into among the societies and the factories has been prescribed by rules. All disputes are to be settled by arbitration.

(6) A cess on the sale of sugarcane has been imposed. Its present rate is six pies per maund. It has given the Provincial Government Rs. 30-40 lakhs annually, which is being utilised for the development of cane, transport facilities in cane areas, and other similar development objects.

(7) The Allan-Sahay scheme was ordered to be speeded up. A separate department with the Cane Commissioner (Mr. Sahay, I.C.S.) as the head was established to administer the scheme and to look after others matters arising out of the new legislation, particularly reservation of areas for sugar factories. Enough funds were provided to this department.

The administrative and legislative measures of the Government gave the much needed stimulus to co-operative organisation. Co-operative societies were now established freely in the areas of many factories, regardless of the fact whether the factory was prepared to offer its co-operation and contribution or not. The number of development units, which was only 30 at the end of 1937, was increased first by 56 and then by 50, bringing the total to 136. The co-operative organisation formed in these units freely enrolled members and chose their own area, without the previous limitations. Some factories welcomed the organisation and voluntarily offered the control of the whole of their reserved area to the co-operative society; others resented the new control and even gave it open fight. But entrenched in the new provisions of law, with an enthusiastic field staff greatly increased in number, and with its achievements as its chief arm of propaganda, the co-operative organisation went from strength to strength till to-day it embraces nearly 80 per cent of the cane supplies in the United Provinces. The following figures will speak for the phenomenal statistical progress:—

	1936-37	1937-38	1938-39	1939-40
1. Number of zones	22	86	114	136
2. Developed area (in acres)	26,500	74,600	1,90,000	4,74,000
3. Number of villages under development	1,000	2,000	9,594	13,800
4. No. of Co-op. Cane Supply Unions	23	28	42	81
5. No. of factories to which cane is sup- plied	23	30	49	61
6. No. of members of Co-op. Societies	25,000	63,000	3,71,000	4,61,000
7. Quantity of cane supplied through Co-op. Societies in lakh maunds.	127 lakhs	134 lakhs	476 lakhs	1277 lakhs
8. Cane-seed distri- buted in lakh maunds	6 lakhs	19 lakhs	35 lakhs	32 lakhs
9. Fertilizers distri- buted in maunds.	48,000	61,000	154,000	203,000

During this period Government expenditure on the scheme has risen from about Rs. 1½ lakhs to Rs. 10 lakhs annually. (The whole annual budget of the United Provinces Co-operative Department is Rs. 7 lakhs only).

**Constitution and Working of Cane Societies.**—Having surveyed the history and development of the organisation of cane societies, let us now examine the constitution and working of these societies. Roughly speaking there are two classes of cane societies (1) those originally organised by the co-operative department for big areas (usually whole districts or sub-divisions) and (2) those organised by the cane department as a part of the cane development scheme. In theory both have similar objects and constitution. In practice, however, the former have confined themselves mainly to cane-supply while the latter have tackled both agricultural development and supply. The former deal with

extensive areas of operation while the latter operate in small compact areas, usually coterminuous with the area reserved for a particular factory or serving a particular station. In the Eastern Range the former type of society has been merged into the more thorough cane development type, and similar tendencies are apparent in other parts of the Province.

In the matter of organisation the practice is to organise one union for a group of villages in the area of a particular factory or station so that all members of the same union have the same outlet for their cane. A union may embrace from 50-400 villages. Only a few of these villages have registered primary societies; in the rest members join the union directly. In other words the unions are, more or less, big primary societies. The older societies having extensive areas of operation have in fact not been registered as unions at all. This system of centralised work was adopted for quick expansion and has worked marvellously well in practice. But nobody pretends that it makes for co-operative life in the villages. That defect has been sought to be remedied by establishing a sort of branch panchayat in each village and efforts are being made to organise gradually primary societies in as many villages as possible. At the end of 1939-40 there were 839 such primaries, of which the district of Gorakhpur alone had 332.

The original aims and objects of these societies were to develop cane, to arrange for its ordered supply, and to finance members for these objects. But latterly they have included in their objects all agricultural improvement and rural reconstruction work. In fact they have now become development unions and most of them have been registered as such. The general body is constituted of delegates from villages (one per village or per 50 members) since a general meeting of all the members would be impracticable. The Board of Directors is constituted of elected directors and a few nominated directors. The Chairman is usually the District Officer or Sub-Divisional Officer and the Secretary is usually the Assistant Cane Development Officer (a Government servant). The directors are often not well educated, but they have been taking an increasing interest in the administration of their organisation and in some places take a very realistic part in the formulation of policy and the disposal of routine work. The bulk of the staff of these societies is Government paid working under the administrative control of the Cane Development Officer.

For purposes of administration, the Province has been divided into three Ranges—Central, Western and Eastern, each in charge of a Cane Development Officer. Two of the Cane Development Officers are

Deputy Collectors and one is an officer of the co-operative department. They are assisted by deputies, being officers of the co-operative or agricultural department. At present there are 11 such deputies, 5 from the agricultural and 6 from the co-operative department. Under them is the whole staff of the cane development scheme, consisting of 137 Assistant Cane Development Officers (mainly agricultural graduates), 300 supervisors (mainly diploma-holders of agricultural schools), 1,084 *kamdars* and 38 auditors. The Cane Development Officers also supervise the disposal of Government subsidies for the distribution of seed and manure through the societies. As the Assistant Cane Development Officers are mostly *ex-officio* Secretaries of the Unions the Cane Development Officer may also be said to be the Chief Executive Officer of the Unions. Thus the Cane Development Officer combines many important functions—agricultural adviser to the Cane Commissioner, administrator of the cane development scheme involving control over huge staff and funds, Chief Executive Officer of societies, and at times also the officer in charge of reservation of areas. For cane matters the C.D.O.s are the Assistant Registrars, being also in charge of audit. One C.D.O. and two Deputy C.D.O.s have been made Assistant Registrars for the administration of societies other than cane also. This concentration of power in one officer has been the subject of criticism but let it be recorded that it has been one of the chief factors responsible for the remarkable success of co-operative cane societies. One factor, however, which, more than any other, accounts for the brilliant achievements of co-operation in this field is the scintillating personality of the official head, Mr. Vishnu Sahay, I.C.S. He has been the spirit behind all the good and hard work done during the last 8 years or so. As Registrar of Co-operative Societies from 1934-39 and as Cane Commissioner from 1937 onwards he has been in charge of the organisation of cane societies and of the administration of the cane development scheme. He still continues to be in charge of the cane department although he occupies the substantive post of Director of Agriculture. The tact, skill, industry and patience with which he has tackled the many knotty problems of the sugar industry in general, and of the co-operative societies in particular, and the drive and initiative which he has brought to bear in handling new schemes, have won for him universal admiration.

Besides this Government staff, the societies engage a large seasonal staff for doing the many jobs connected with the organisation of cane-supply. At a conservative estimate 5,000 men thus get seasonal employment, of which over 1,000 are entrance passed. Surely an effective attack on the problem of unemployment!

A word about the manner in which these societies perform their main functions may be added. The cane area of members is surveyed by the *patwaries* and checked by the *kamdars*. With the help of this record, a roster for the supply of cane is prepared well ahead of the crushing season. The seed-programme is also prepared with the assistance of this chart with an eye on particular varieties. During the crushing season, cane is supplied by members on requisition slips which are delivered to them in their villages by cyclists. The distribution is made equitably to all growers, with weightage in favour of the very small grower. The weighing of cane and payment are made in the presence of employees of the societies who prepare records of these weighments and payments. This ensures accuracy in weighing and payment—fundamental advantage of co-operative organisation. The members realise that as parts of an organisation they have a status and a right to make their voice heard. During the survey season the members are supplied with fertilizers and seed on credit. Central arrangements for the purchase and distribution of fertilizers are made by the cane department. As for seed qualified staff of the department purchases disease-free seed of high quality from Government or private farms or from approved cultivators. A premium has to be paid for good seed and there is some cost in transport too. This extra expenditure is mostly met from Government funds by the cane department so that the ultimate cost to the cultivators of even this superior seed may not be more than the prevalent rate. Besides this financing for seed and fertilizer, advances are also given according to availability of funds for cultivation and other productive objects. The collection of these loans is made by deduction from the price of cane in the ensuing season, a system which has proved most effective. The rate of interest on loans to cultivators varies from 6-9 per cent, the union keeping a small margin for itself. The union arranges for funds from the co-operative banks or the factories or from Government (Taqavi). Since the unions have considerable income from commission on cane-supply, they show large profits which are utilised for rural development objects. For instance, adult education, scout-training, building of panchayatghars, improvement of wells and communications, digging of manure pits and soakage pits and other similar matters have been taken on hand. Special attention is given to canvassing group sanction for better agricultural practices by holding meetings, exhibitions, lantern-shows, demonstrations in members' fields and the like. These unions have lately been entrusted with the general agricultural improvement of their area and all the seed stores falling in these localities have been transferred to the cane department for administration. Large quantities of sanai seed (for green manuring), rabi seed, and improved implements have been dis-

tributed to the cultivators. The unions, it will thus appear, are extending their scope in the direction of the multipurpose union.

**Achievements and Shortcomings.**—The achievements of cane societies and their executive, the cane department, have been many. In the field of cane development they have done intrinsic work in introducing seed of developed varieties and getting cane sown according to improved methods. The developed area at the end of 1939-40 was nearly 5 lakh acres. The yield per acre of sugar cane has definitely increased. Although no scientific data about yield have been maintained there is enough material to show that the average increase in the yield of sugar cane has been over 33 per cent. The societies have also done extremely useful work in combating diseases and pests of cane. In 1936-37 the western districts had to face a serious attack of *Pyrilla*. This pest very adversely affected the recoveries of sugar. A special staff was appointed to deal with this problem and so effective was their field work that the pest has not re-appeared in a virulent form ever since. In 1938-39 the red-rot disease appeared in an epidemic form in the eastern districts causing a 40 percent loss in the yield of sugar cane. Had it not been for the very useful nucleus of good seed that had been created by the cane development scheme, a major disaster would have faced the sugar industry in those parts. The magnitude of the work done by the cane societies may be gauged by the fact that in 1939-40 they distributed about 32 lakh maunds of seed and 2 lakh maunds of fertilizer to their members. In the field of co-operative marketing too their work has been remarkable. They now control nearly 80 per cent of the cane supplies to sugar factories in these Provinces. In 1939-40 they supplied over 12½ crore maunds out of the total of about 16 crore maunds crushed by the factories. They have played a very important part in the regulation of supplies and in ensuring correct weighment and payment for cane. They have been instrumental in providing a very cheap supply of credit without the risks to which credit alone, without a link with marketing, is so susceptible. In 1939-40 the societies distributed over Rs. 36 lakhs to the members in the shape of seed, manure and cash advances for productive objects. Besides this a sum of nearly Rs. 2¼ lakhs was distributed as taqavi for seed and fertilizers through these societies. A very gratifying feature is the high percentage of repayments which are done through deduction from the price of cane. Within a very short period the societies have been able to earn decent profits and at the end of 1939-40 they had an owned capital of nearly Rs. 8 lakhs which represents about 20 per cent of their working capital. Figures such as these are bound to delight any co-operator. Besides these achievements these societies have carried out con-

siderable rural reconstruction work by way of construction of new wells, opening of adult schools, distribution of medicine chests, training of scouts, improvements in village communications, and the like. They distributed over 57,000 improved implements and 250 stud-bulls during the year 1939-40. They also distributed a large quantity of rabi seed including 11,000 maunds of sanai seed for green manuring, and an area of 25,000 acres was green manured during the same period. The eastern range at Gorakhpur alone had, at the end of 1939-40, 653 village medicine chests, which treated over 72,000 patients during the year; 144 adult schools which made over 5,000 adults literate; over 300 scouts fully trained; and during the same period nearly 500 wells were constructed in this range alone. Perhaps the greatest achievement of these societies, however, is the organisation of growers. This organisation is being very effectively used for obtaining group sanction for development activities and is also a potent vehicle for the ventilation of cultivators' grievances. I expect that before long the cane co-operatives of the United Provinces will become a most powerful body representing the true interests of the cultivators.

Cane societies are yet young. They are bound to have their failings and it may be useful briefly to examine them here. Their chief critics are the factories who never took kindly to this institution. Their charge-sheet against the societies was presented before the Khetan Committee which was appointed in 1939 to enquire into the working of the Sugar-cane Rules and labour conditions in sugar factories.\* They accuse the societies of extravagance, neglect of cane-development, corruption and exploitation in the regulation of cane-supply, lack of scientific supply in the interest of factories, lack of co-operation with factory, incitement of growers against the factory, and authoritarianism among the staff. The vehemence with which the factories sometimes cry against the cane societies reminds me of the prisoner at the court-martial who loudly complained. Asked as to what particular item he was protesting against he replied, "I object to the 'ole dam'd thing". The factories (with honourable exceptions) object to this whole business of co-operation whereby you set up combinations of growers which may ultimately prove very inconvenient to them. Then they do not like the payment of commission fixed by rules. They have lost much power and patronage and their staff, in their own interests, dislike any further expansion of co-operative societies. It is these factors which create dissatisfaction among the factories, although it finds vent in various forms.

\* Vide Report of the Committee published by U. P. Government in 1940. Only Vol. I representing the factory owners' viewpoint has been published so far.

I, however, do not mean that cane societies are perfect. Organised with terrific speed they are bound to have their shortcomings. In the first place, the lower staff of the cane department and of cane societies were recruited under great pressure, when there were more jobs for agricultural graduates than the number of such graduates available. The result is that the Assistant Cane Development Officers in many cases are not of the requisite standard. The fieldmen—supervisors—too were similarly recruited out of inadequate material. These defects have been sought to be removed by short periods of training, which are not, in my opinion, sufficient. A more thorough course of training for the staff and a weeding out of the incompetents alone will meet the needs of the department. In the field of cane development there is still much to be done in the way of co-ordination of research and field-work. Then the organisation has to be decentralised by establishment of full fledged primary societies of the multi-purpose type. So far the movement is mainly State organised; it has come from above. It has, therefore, the defects inherent in such organisation. The cane societies also badly need a well-knit provincial organisation. I have in mind District Co-operative Boards affiliated to a Central Provincial Board. Such an institution is I think overdue. I also consider that these cane societies, which have now avowedly become development societies, should be the sole vehicles for all rural development activities in their areas. In spite of spasmodic departmental efforts there is enormous overlapping among the development departments. The societies also need protection against the factories in one respect. The factories have technically the right to deal with non-members in their reserved area, even if their number is very small. They have at times taken advantage of this loophole by initiating a campaign of resignations by members through the agency of quislings with the sole object of breaking the solidarity of societies. What is needed is a provision in law that if the majority of cultivators in a particular area join a co-operative marketing organisation others must perforce market their produce through that organisation.\* This may offend the democratic service of cane co-operators, but experience has proved that cultivators in India will often have to be protected against themselves.

To sum up, the cane co-operatives in the United Provinces represent the high water-mark of State initiative in co-operation. The bold-

\*Provisions to this effect were incorporated in the U. P. Agricultural Marketing Bill which was on the legislative anvil when the Congress Government resigned.



ness, the thoroughness, and the success of this effort may well be emulated by other Provinces. It is a happy augury that these societies now feel called upon to enlarge the scope of their activities and are gradually taking up the multipurpose work required for the regeneration of village life. Their promise and our expectations are very high. Let us hope that they will play an effective part in the rural reconstruction of the United Provinces.

## MILK SUPPLY UNIONS IN UNITED PROVINCES

By

N. K. BHARGAVA, B.Sc., I.D.D., (BANG.),

*Industrial Inspector, Co-operative Department, United Provinces.*

Milk is almost a universal article of human consumption; but in India it holds the first place in the dietary of the people and is used universally in some form or other. Nevertheless the supply of pure milk of good quality in this country is in a most deplorable condition. Not only is the milk poor in its nutrient value owing to the deterioration in the breed of the milch cattle on account of the lack of scientific breeding, defective feeding and careless tending, but it is also a source of great danger to the public health, particularly to the infant mortality, on account of the insanitary and unsatisfactory conditions under which it is produced and of the adulteration that takes place. The question of improving the milk-supply has, therefore, excited a good deal of public attention during the last three or four decades, but no satisfactory scheme has been evolved for the production and distribution of milk by modern equipment and sanitary method without placing it out of reach of the masses on account of rise in price.

**Production in cities.**—The question chiefly relates to cities in view of the special difficulties that present themselves in the provision of adequate supplies of good milk in thickly populated areas. Generally 75 per cent of the milk consumed in a city is produced within 5 miles thereof and 10 per cent comes from areas more than five miles of the municipal limits. A large cattle population is therefore housed within the municipality. These animals are stall-fed, get little or no grazing and outing and consequently there is a considerable depreciation of stock and decline in the yield of milk. It is, therefore, a general practice in the city to purchase cattle when in full milk and to dispose them of as soon as the milk yield becomes uneconomic, which adversely affects the milk production. Further, the production of milk in a city is very expensive on account of the high rents and excessive cost of feeding stuffs which have to be transported into cities from rural areas. The city producers or *gwalas*, as they are called, are reduced to the necessity of compensating themselves for the higher cost of production by adulteration, which tells greatly on the health of the public. In view of all this the production of milk in the city is undesirable not only on grounds

hygienic but also economic. It is, therefore, only proper to look for the development of the milk supply outside the cities.

**Suitability of rural areas for production.**—Obviously it is very desirable to give every encouragement to the production of milk in rural areas. It would be best if the milk-industry is made a part of the 'mixed farming', under which a villager will take up the production of milk as a side line in addition to his normal cultivation of food crops etc., and derive the maximum benefit possible from this new venture. He will utilise male-calves for purposes of draught for the plough or the cart. Cattle-dung will be used as manure to increase the fertility of the soil and consequently the output of production per acre, which will yield more profits. The cultivation of leguminous fodder crops—such as berseem—which is an ideal food for milk production, will further enhance the fertility of the soil. The *bhusa* of wheat, barley, pulses and other crops will be utilised in feeding cattle without any expenditure. The milch animals will thus require little expenditure for their upkeep and the mixed farming will not only cheapen the milk production but also prove to be a source of great profit to him. No doubt the difficulty of securing quick transport of milk from the rural to the urban areas for purposes of sale will present itself, but it can be solved satisfactorily by joint effort.

**Joint action on co-operative lines.**—It is not possible in the present backward state of the country and the prevailing ignorance and apathy amongst the peasant to do anything by individual effort for the production of milk on a large and cheap scale in rural areas. There must be joint action for the purchase of fodder and other commodities at wholesale rates, for collection and transport of milk to urban areas, for the treatment of milk by scientific methods with a view to the preservation of its keeping quality and to make it harmless for human consumption, for the purchase of good cattle and the supply of pedigree bulls for the improvement of the breed, for securing of pasture lands on lease etc. Joint action is, therefore, necessary for mutual help, co-ordination of efforts and for individual benefit. The best result can be achieved by working on co-operative lines which will secure all facilities available under the Co-operative Societies Act, such as the benefit of the annual audit of accounts, remission of the stamp duty and the registration fee, settlement of disputes by the simple and cheap process of arbitration, unselfish help from the staff of the Co-operative Department.

**Lucknow Co-operative Milk Union.**—In view of the above a scheme which aimed at the organisation of rural milk supply on a co-operative

basis has been evolved in the United Provinces. In the first instance it was tried with a capital of Rs. 100 only for about 16 months and the satisfactory result of the experiment led to the registration of the Lucknow Co-operative Milk Supply Union Ltd. on March 23, 1938. Under this scheme the villages capable of being developed to supply at least two maunds of milk a day have been selected in the Lucknow district and co-operative milk societies established there. These have been affiliated to the Lucknow Co-operative Milk Supply Union whose main function is to collect milk from village societies, to transport it to Lucknow, to pasteurize it before issue to the public, to distribute it by door to door delivery to customers, to make regular payments to village societies for the commodity supplied by them, and to take every other action which may be in the interest of milk production and the welfare of members of milk societies. The three years' experience shows that the scheme is working satisfactorily and that there is great scope for the development of the milk industry in this country on these lines. Action is already being taken in the United Provinces to establish a similar organisation at Allahabad and the question of establishment of such unions at Benares and Cawnpore is under consideration.

**Selection of villages.**—As the scheme is yielding satisfactory results, it will be of general interest to give some details about its working. It has been stated above that villages capable of supplying two maunds of milk a day are selected for production of milk. To help in the selection, census of cattle in the village is first taken and the approximate quantity of milk supply for the different seasons of the year is worked out therefrom. This gives an idea of the necessity of the supply of additional milch animals arrangements for which are made, keeping in view the credit of the individual member concerned.

**Supply of Cattle.**—Generally members prefer to keep she-buffaloes on account of the higher yield of milk and their longer period of lactation, but uniform supply throughout the year cannot be secured without the provision of cows in view of the fact that buffaloes cease to give milk during the hot weather as they calve in September or October, whereas cows calve in February or March and are generally in milk during the summer. The experience hitherto gained by us points to the necessity of a member keeping one she-buffaloe and two cows; and this point is kept in view in the supply of milch animals. In this way the supply during the summer is not allowed to decline.

**Common Milking.**—Cattle in the village selected are milked at one place, or in two or three different groups, before the Panchayat

and entries about the supply are made by the secretary of the society in the milk register and also in the pass-book of the member concerned which is kept by the member himself. Before milking water of permanganate of potash is used in washing hands and cleaning the udder teats of an animal. Scrupulous care is also taken in cleaning the vessels used at different stages.

**Sheds and Wells.**—Sheds suitable for the purpose of milking all animals at one place are being built in some villages and wells are also being provided in areas where there is a deficiency of water for purposes of cleaning and washing of animals. For these purposes Government have given a grant of Rs. 5,400. Half of the cost of a shed and three-fourths of the cost of a well are met from the Government grant and the society concerned is expected to contribute the rest. But as societies are not yet in a position to make any contribution, the Union has to give the money required from its own funds. The provision of wells and sheds is expected to give a great stimulus to this movement.

**Transport of Milk.**—After the milk has been collected in a village it is sent in sealed cans to the collecting depots which are situated within convenient distance, by bicycle, or in *bengies* or by head loads. The milk is tested and measured there and a receipt is given to the carrier. The milk so collected from different villages is then heated to a temperature of about 160°F. by putting vessels containing it in boiling water. The milk thus heated is then sent to Lucknow either by a milk van or a *tonga*.

**Pasteurization.**—Formerly milk used to be pasteurized at the collecting centre. After being heated by the indirect method referred to above, it used to be cooled by passing the milk over the surface of a water pre-cooler and a drum containing ice. The milk thus pasteurized used to be sent to Lucknow in a milk van, which had been especially constructed with silo-tax and provided with an electric fan to keep the temperature down. But this, besides entailing much expenditure, did not prove a success specially during the rains and hot weather. Now the hot milk is, as already stated, sent to Lucknow where it is seen that the temperature does not fall less than 10 degrees F. during transit. As the temperature is above 80°F. to 120°F. which is most favourable for the multiplication of bacteria, this practice is not injurious to health in any way.

As soon as the milk arrives at the headquarters it is cooled to 45°F. by passing it over the surface of an aerator, in the hollow of the upper coil of which water runs and compressed gas in the lower portion. This

machine is worked by electricity and the cost of electric current consumed is generally two annas per maund compared to the former process of cooling by ice, which entailed an expenditure of four annas a maund. The use of this refrigerator machine is not only economical but also saves a lot of time and labour of all concerned. After being cooled, the milk is stored in a room in which by an automatic device, the temperature is kept constant at 45°F. It is taken out at the time of issue and given to rounds-men who distribute it in the city by door to door delivery on the coupon system.

As is well-known milk conveys disease directly by adulteration and indirectly by pollution or the presence in its natural form of bacteria harmful to human life. The only way to make it safe for human consumption is by resort to pasteurization and refrigeration, which involve the heating of milk in short time to temperature of about 160°F. holding it uniformly at that temperature for some time and then rapidly cooling it to about 45°F. By this process all germs for whose destruction either a very high, or a very low or a rapid change from the high to the low temperature is necessary, are destroyed. The milk issued by the union is thus pasteurized with this difference that it is heated at the collecting centre and cooled at the city depot, and the milk so treated has been declared by the Director of Dairies in India to be pasteurised milk.

**Tests for Purity.**—To test purity lactometer reading is taken in the first instance. Dr. Gerber's test and a chemical test for sugar are also taken and S. N. F. is found out. Surprise samples are taken from the cans of roundsmen and tested to see whether the milk being given out is of the standard at which it was issued. In this way a check is exercised over the purity of milk against adulteration.

**Improvement of breed.**—The first requisite for obtaining milk of good quality is the breed of the cattle. As is well known the cattle of the Lucknow district are of very inferior stamp and suffer from being bred from inferior sires and starved in their youth. With a view to effect improvement the milk union purchased 61 Hissar cows and 56 Murrah she-buffaloes from the Punjab and supplied them to societies in 1938-39, but chiefly on account of the climatic effects, there has been deterioration in both the health and the milk yield of these cattle. The experts are now of opinion that the importation of the cattle from the Punjab will not bring about any improvement in the breed in this part of the country and that the object in view can be achieved only by the provision of bulls of good pedigree for the local cattle. Accordingly Murrah bulls will be obtained from the Delhi province for the she-buffaloes and recently an order has been sent for the supply from

Karnal of Tharparkar bulls, which are suitable for the small size local cows and which are expected not only to increase the yield of milk but will also give good calves for draught purposes. Ordinarily one cow and one buffaloe bull will be provided between two villages and all local bulls which are unsuitable for breeding purposes, will be castrated.

**Nutritious rations.**—As already stated the cattle of this part are under-fed and are not given proper nutritious rations. This will have to be set right by the right type of education to villagers, persuading them to grow perennial grasses on their farms and other measures necessary. Recently the experiment of giving baggomolasses to animals was tried, but, owing to the apathy and conservatism of villagers to adopt anything new, it did not make much headway. Nevertheless proper trial in the direction will be made by propaganda and demonstration.

**Co-operation of Agricultural and Veterinary Departments.**—It is not possible to do anything for the improvement of the breed without the help and co-operation of both the Agricultural and Veterinary departments. The Union receives valuable help from the Agricultural Department in the provision of roots of perennial grasses, purchase of cattle, supply of bulls of good pedigree etc. The Veterinary Department proposes to take over the bulk of our villages as its "Cattle Welfare Units" and concentrate all its efforts there for the improvement of the health and breed of cattle by the prevention of cattle disease by inoculation or otherwise. Foot baths will of course, have to be provided and the union will do so as funds permit.

**Herd-books.**—In accordance with the recommendation of the Imperial Council of Agricultural Research, it is proposed to get all the cattle attached to the milk societies registered and herd-books maintained for them. This will contain the record of milk yield, breed, etc., of each animal and will show whether the object in view is being achieved and if not, what action should be taken with that end in view.

**Directorate of the Union.**—The Board of Directors of the Milk Union comprises of twelve persons, namely, Deputy Commissioner as President, five representatives of village milk societies, two representatives of individual shareholders, two persons nominated by the Registrar, Co-operative Societies, and two persons co-opted by the Board itself. The Registrar generally nominates such persons as possess expert knowledge of subjects which are of importance to the milk-industry, such as the Public Analyst to the Government, Manager, Military Dairy Farm, an

officer of the Agriculture, Public Health or the Veterinary Department, an officer or an experienced Inspector of the Co-operative Department. The Board co-opts such persons as are likely to be useful. Thus all interests conducive to the advancement and welfare of the Union are represented on the Board and it is hoped that by their co-operation and expert advice the Union will make steady progress in the attainment of the object for which it came into existence. A representative of the Municipal Board will be welcome on the Board and can be nominated or co-opted if the Municipal Board is willing to extend its help and co-operation to this movement.

**Out-turn of work.**—The statistics given below will convey the idea about outturn of work of the Union and steady progress that is being made by it:—

<i>Milk.</i>		1938-39.	1939-40.	1940-41.
Quantity	of milk	Mds.	Mds.	Mds.
handled		5,663	11,450	11,468
<i>Butter</i>				
Quantity	manufactur-			
ed and sold		13	57	87

**Technical Staff.**—The Union gives employment to about 125 persons most of whom are members of societies. The officer-in-charge possesses technical qualifications as the Indian Dairy Diploma of Bangalore—necessary for the technical work and is assisted by an Assistant Manager who has undergone six months' course in the treatment of milk etc., at the Agricultural College, Cawnpore. The supervisors who have to organise milk societies and look not only to the welfare of the societies but also to the interests of this Union are the employees of the United Provinces Co-operative Union and their services are utilised by the milk union on the contribution of 55 per cent of their salaries. The Dairy Inspector of the Co-operative Department who also holds high qualification in dairy work, exercises close control over the working of the Union.

**Financial Position.**—In spite of its satisfactory working the Union has not yet come to rest on a sound financial basis. Last year it suffered a loss of about Rs. 5,000 but this is chiefly due to the fact that it is not being run strictly on business lines. Philanthropic motive also affects its working. For instance half of the loss of Rs. 5,000 is due to its being



reduced to the necessity of meeting the charge of railway freight of animals and expenses of representatives of societies who went to the Punjab to select cattle for their societies. The Union has also to meet a part of the cost of construction of milking sheds and wells in villages. Obviously no institution in its infancy would have ventured to incur expenditure on these items. Nevertheless, it may be stated that the Union has, by curtailing of expenditure and the fixation of standards from different operations, retrieved its position to a great extent and has made up a considerable part of its loss. Its financial position will become sound when it handles about 70 mds. of milk a day with a daily sale of 50 mds.

**Government Help.**—The Government gave a grant of Rs. 20,000 to this Union for the purchase of scientific apparatus and machinery etc., and Rs. 5,000 for a motor milk van and both these grants have nearly been spent. It has also given a grant of Rs. 5,400 for the construction of milking sheds and wells in villages on a contributory basis and this amount is being utilised. Nevertheless the Union has to undertake experiment to determine the best way of utilizing its surplus disposal of separated milk and other allied bye-products and to meet all this expenditure, which is in the general interest of dairying.

**Municipal Help.**—As the supply of pure and good milk is of great concern to the public health, the Municipal Board of Lucknow should have shouldered the burden of supplying milk to the whole of the Municipal population. As, however, the Union has relieved it of this burden, there is a strong case for the grant of liberal support by the Board. The Union looks to the Municipal Board for pecuniary help and encouragement in its work, but so far it has not been forthcoming.

**Conclusion.**—The above account of the working of the Union goes to show that the Lucknow Co-operative Milk Supply Union is doing useful work in connection with the development of the supply of milk from rural areas and its distribution, after pasteurisation, to customers in the city by house to house delivery. The fact that it handles about 45 maunds of milk in some months is no mean achievement taking into consideration the fact that it has been in existence only for three years. Further, in the development of the milk industry the Union has benefitted cultivator-members in more ways than one. It has given them more money for their commodity in that the Union purchases milk from them at the rate of 11 to 12 seers a rupee instead of at 14 to 16 seers at which they used to sell it to *halwais*. Further the payment of price is made at their very door and they are thus spared the time and expense

of bringing milk to Lucknow for sale. They receive payments for their milk every fortnight and are not duped of their legitimate dues as happened frequently when they had dealings with *halwais*. The action being taken by the Union for the supply of milch animals and for the improvement of the breed of cattle etc., will better their financial position in the course of a few years. The provision of wells will remove their hardships and prove a boon to them. The construction of sheds and the improvement of communications, which is also aimed at, will be an asset to them. The working of milk societies under the paternal care of the Co-operative Department, besides giving them the facilities provided under the Co-operative Societies Act, will prevent litigation in Civil Courts, which is a source of ruin of the villagers. Apart from doing everything possible for the development of the rural dairies and the amelioration of the condition of villagers, the Milk Union does a lot to help the sister co-operative organisations in the recovery of their dues from the price of milk and its remittance to the District Co-operative Bank, Lucknow : a sum of about Rs. 1,000 has been so realised this year on account of the dues of the credit societies. In short the Milk Union is doing very good work and has justified its existence. It has already made its mark and is attracting the attention of the persons and institutions in other parts of India who are interested in the development of the milk industry. It has a good future before it and the full benefit is expected to be visible in about ten years' time, when it has passed the experimental stage, secured financial stability and undertaken the manufacture of by-products by up-to-date methods on a large scale.

## **CANEGROWERS' CO-OPERATIVE SOCIETIES IN BIHAR**

**By**

**C. A. MACLEAN, ESQ., C.B.E., M.C., I.A.S.,**

*Joint Registrar, Co-operative Societies,  
Bihar.*

**Introductory.**—The Government of Bihar sanctioned a scheme for the organisation and operation of Canegrowers' Co-operative Societies in December, 1935, from the assistance given by the Government of India from the excise duty on sugar for organising the canegrowers into co-operative societies to enable them to obtain a fair price for their cane or for other purposes directed to the same end. Two Special Officers, with headquarters at Chapra and Samastipur, 13 Organisers and 13 Supervisors were appointed under the scheme with instructions to form experimental canegrowers' co-operative societies in the areas of a few factories, in consultation with the local representatives of sugar factories interested in the well being of the canegrowers. Only 103 canegrowers' co-operative societies operated in the crushing season 1936-37. These societies supplied 9 lakh maunds of cane to the sugar factories. The number of these societies increased to 215 and the quantity of cane supplied by them to 16·26 lakh maunds in 1937-38.

**Canegrowers' Co-operative Societies under the Bihar Sugar Factories Control Act, 1937.**—When the Bihar Sugar Factories Control Act, 1937, came into force, the Government of Bihar announced their decision to form canegrowers' co-operative societies in all the villages in the reserved areas of the sugar factories to enable canegrowers to obtain the full protection vouchsafed to them by the aforesaid Act. As it was impossible for a small staff to form societies in the reserved areas of all the sugar factories, the local Government sanctioned an additional staff of 3 Special Officers, 22 Organisers and 57 Supervisors to take up the organisation of Canegrowers' Co-operative Societies in the areas of all the factories in the Province. Four circles under 4 Special Officers, 3 in north Bihar and one in south Bihar, operated in 1938-39. The total co-operative supply of cane by 425 Canegrowers' Co-operative Societies amounted to 13·40 lakh maunds in this season.

**Expansion in 1939-40.**—With the appointment of additional officers, it became possible to organise 671 Canegrowers' Co-operative Societies

in 1939. Thus, 1,096 Canegrowers' Co-operative Societies operated in the crushing season 1939-40 and supplied 66·75 lakh maunds of cane to the sugar factories.

**Canegrowers' Co-operative Societies in 1940-41.**—The policy of cautious expansion of canegrowers' co-operative societies was followed in the year 1940 as well. Although a large number of societies were formed in this year, most of them were placed on probation for periods varying from 6 months to one year to enable them to qualify themselves for registration under the Co-operative Societies Act. Only 392 canegrowers' co-operative societies were registered under the aforesaid Act. Altogether 1488 Canegrowers' Co-operative Societies functioned and supplied 88 lakh maunds cane to the sugar factories, representing approximately 13 per cent. of the total cane crushed in Bihar in the crushing season 1940-41.

**Anticipated Societies in 1941-42.**—Most of the Societies placed on probation last year are now under registration under the Co-operative Societies Act. Over 2,000 canegrowers' co-operative societies with 50,000 members are expected to function in the crushing season 1941-42.

**Unified control of the Cane Department.**—As was mentioned in the report on the working of these societies in the crushing season 1939-40, the canegrowers' co-operative societies were placed under the control of Col. C. A. MacLean, M.A., C.B.E, M.C., I.A.S., Cane Commissioner, Bihar, on the 16th November, 1939. He was appointed Joint Registrar of Co-operative Societies, and vested with the powers of Registrar of Co-operative Societies, for administering these societies. To ensure the maximum co-ordination between the different sections of the cane department, Col. MacLean was further appointed as the Cane Development Officer, Bihar. The main intention in bringing the three sections mentioned above under unified control was to ensure the maximum co-ordination between them.

**Co-ordination with the Cane Development Scheme.**—A detailed plan for co-ordinating the work of these sections was laid down at a meeting of the gazetted officers of the department held on the 9th November, 1940. Amongst other things, it was decided that the gazetted officers of the department posted in the various circles should meet at least twice every year and more frequently, if need be, to decide on their common programme and that local committees should be formed to carry out this programme

into effect. The Assistant Directors of Agriculture were directed to conduct development work mainly through the societies and the Special Officers were instructed to select villages for the formation of the Cane-growers' Co-operative Societies with the concurrence of the Assistant Directors of Agriculture. The scheme of co-ordination has been extremely successful so far.

**Agricultural Improvement.**—During the period, demonstrations were carried on cane cultivation, green manuring, compost making and the use of improved implements, of which by now there are 768 sets in canegrowers' co-operative societies. In addition, interesting lectures were delivered at which members were advised not to ratoon their cane and where they were instructed how to recognise the prevalent diseases of cane and how to circumvent their spread by the use of good seed. As a result of these efforts, the cultivation of cane in line is now universal in canegrowers' co-operative societies in north Bihar. Nearly 95 per cent of the cane planted by the old members of these societies for supply to the sugar factories in the crushing season 1941-42 is under improved varieties of cane. Altogether 4,526 demonstrations were conducted in the canegrowers' co-operative societies by the staff employed under the scheme for the improvement of sugarcane cultivation in this Province, which is very encouraging.

**Mass Literacy.**—Along with cane development, the cane-growers' co-operative societies interested themselves in the campaign of mass literacy initiated by the Hon'ble Dr. Syed Mahmud, the late Minister of Education and Development, Bihar. The number of mass literacy centres increased from 250 to 350 during the period under review. There was also a corresponding increase in the number of attending adults. More than 100 societies are receiving copies of *Roshani*, the organ of the Provincial Mass Literacy Committee, Bihar. About 100 societies have equipped themselves with books issued under the "Mahmud Series."

**Other Improvements.**—As the resources of societies are increasing, they are undertaking projects of general welfare in the villages. In the South Bihar Circle 20 surface wells were dug and two tube wells were sunk and two Rahat Pumps were bought in the Saran Circle; 1,176 yards of village roads were repaired in the Champaran and South Bihar circles by co-operative efforts. In the Samastipur Circle eleven villages roads were built at a cost of nearly Rs. 4,000, two-thirds of the cost having been contributed by the Government of India from the grant for rural uplift in the Darbhanga District.

**Common Good Fund.**—All societies have been advised to establish a common good fund by voluntary contributions from their members. The rate of contribution varies from one anna per cart to 3 pies per maund of the cane supplied by them. The purpose of this fund is to create a capital of at least Rs. 1,000 in each society to enable it to undertake short-term crop financing. A sum of Rs. 4,000 was collected in this fund during the period under review. The efforts will be continued this year as well so that the fund may be built up as quickly as possible. This is the surest way of stabilising canegrowers' co-operative societies.

**War efforts by members of societies.**—It is extremely pleasing to record that members of the canegrowers' co-operative societies contributed Rs. 3,532-2-0 to His Excellency the Viceroy's War Purposes Fund. This contribution was purely voluntary as in all cases it was requested to be earmarked for offering relief to the relations of Indian soldiers killed or wounded in the war. The societies have further invested a sum of Rs. 3,820 in Ten Year Defence Savings Certificate issued by the Government of India. Over 500 societies are receiving copies of the "*Dehat*" regularly. The contents of the "*Dehat*" are explained to members at meetings of these societies.

**Administrative Improvements.**—There was no uniformity in the various circles as to how societies should be organised, audited and inspected; the bylaws of the primary societies and co-operative development and cane marketing unions varied from circle to circle, and the forms and registers used varied from factory to factory. The work of standardisation was taken up and very considerable progress has been achieved so far. The necessary minimum number of registers was planned, standard forms were drafted, bylaws for canegrowers' co-operative societies and co-operative development and cane marketing unions were framed and standard rules of financing were issued. Standard forms of audit and inspection notes are being framed and the procedure for systematic inspection and audit of societies has already been laid down. The work of re-organisation is continuing.

**Training of Members.**—Along with the reorganisation of the department, attention was paid to the training of the members of the canegrowers' co-operative societies. Unless the members are thoroughly trained in the principles of co-operation, they will not be able to manage their societies successfully. The administration of these societies is extremely technical and calls for a specialised knowledge of accounts and business organisation in its administration. The Registrar,

Co-operative Societies, Bihar, has very kindly deputed the Principal of the Co-operative Training Institute to train the members of the cane-growers' co-operative societies by holding peripatetic classes for a year. The training has commenced vigorously and it is hoped that it may bring about an all-round improvement in the working of these societies in this Province in the near future.

## REHABILITATION OF THE CO-OPERATIVE MOVEMENT IN THE SOUTH EASTERN DISTRICTS OF THE PUNJAB

By

SARDAR IQBAL SINGH, M.A., P.C.S.,  
*Deputy Registrar, Co-operative Societies, Delhi.*

In recent years the Agricultural credit societies in several provinces of India have been face to face with a grave crisis. The enormity of their overdue and frozen assets has not only thwarted the future growth of the movement but has also at places brought the entire existing Co-operative organisation into a paralytic state, threatening immediate collapse. The removal of this deadly malady afflicting the vital tissues of the movement has naturally been a matter of serious concern to provincial Governments as well as to public spirited individuals who realise that a sound and well developed system of co-operative credit is wholly indispensable to agricultural prosperity. Consequently several schemes of rehabilitation of the movement have been and are being put forth. The Provincial Governments everywhere have closely associated themselves with them and at places the soundness of these schemes is already being put to a test with apparently gratifying results.

Though the heart of the Agricultural Credit Movement in the Punjab is no doubt sound, the movement on the whole having not only resolutely and triumphantly withstood the buffets of agricultural depression, famines, and periods of scarcity but having also maintained in the face of all these obstacles an unhampered pace of steady growth, it must not be presumed that the land of the five rivers has not had its share of misfortunes in the Co-operative field. The movement here too is faced with serious difficulties in some districts and has been causing anxiety to all concerned. In the extreme south Eastern Districts of the province, namely Hissar, Gurgaon, Rohtak and Karnal—a tract which for long has been the scourge of famines—the condition of agricultural credit societies has been rapidly deteriorating ever since the agricultural depression of 1929. Most of the societies in this area had their inception in the so-called boom period, when prices of agricultural produce soared at their highest, and as a natural sequence thereof the credit of the agriculturists ran high. The advent of the agricultural depression followed by prolonged periods of drought, scarcity and famines caught



these societies when they were yet in a state of infancy and gave a serious set back to their healthy development. In the eight years following the setting in of the agricultural depression recoveries of debts in societies gradually sank down to an abnormally low level, overdues multiplied enormously assuming alarming proportions and default became the order of the day. In Rohtak District the percentage of principal recovery to the debts owed by members to their societies fell from 23.3 in the year 1928-29 to 4 in the year 1936-37, and Karnal District in this period witnessed a fall from 20 per cent to 9 per cent. The extent of the damage done in Hissar and Gurgaon districts was still more. The huge piling up of interest overdues clogged the working of the whole co-operative machinery. On 31st July 1937 arrears of interest in credit societies of Rohtak District touched a huge figure of 11,16,985. Worked at the then outstanding Principal loan of Rs. 18,67,740, this represented a period of over 76 months. In Karnal District the interest overdues amounted to a period of 63 months and the position of Gurgaon and Hissar Districts was equally unsatisfactory. The number of 'D' class societies increased from year to year and whereas their number in these districts was less than 5 per cent of the total in the year 1928-29, the close of the year 1936-37 saw them outnumbering the total numerical strength of all the A, B and C class societies put together. As was to be expected under the circumstances the expansion of the movement in this period was entirely held up, the total number of registered societies in Rohtak and Karnal districts actually showing a decrease from 1022 on 31-7-29 to 1017 on 31-7-37. The societies with most of their assets frozen were naturally forced to suspend fresh loan business so much so that new loans advanced by them during the year 1936-37 were only 10 per cent of the amount loaned out in the year 1928-29. The few regular repayers in the societies thus found themselves at a great disadvantage and either started leaving the societies in dread or disgust or joining the rank and file of defaulters. Those who could conveniently manage to sever their connections with the societies took the first opportunity of doing so. Payment of debt was made on the express condition that membership would terminate. With an increasing number of desertions from year to year, the membership of the societies declined, the fall in Rohtak and Karnal Districts alone being from 23881 on 31-7-29 to 20907 on 31-7-37. The Gurgaon and Hissar Districts fared no better in this respect. Widespread default, rapidly multiplying overdues, suspension of fresh loan business, a large number of voluntary withdrawals and the lack of an organised effort to stem the dangerously rising tide of disintegration of the movement, brought the whole co-operative organisation into disrepute. As aptly

described in one of the annual reports of these years the membership of a Co-operative society began to be considered as a social stigma. Those who remained on the rolls were not there for the love of the movement but found themselves inextricably fettered by their liabilities to the societies either as principal borrowers or as sureties of unpaid debts. As debts grew older and overdues heavily accumulated, the responsibility to repay them gradually weakened till it became almost extinct. In fact they virtually ceased to be considered as a serious obligation. On the 31st of July, 1937 it was estimated that about 98 per cent of the total loans owed to societies were long overdue according to the initial promises of the borrowers, who seemed more or less totally indifferent as to the ways and means of their liquidation. Postponements of demands and extensions of loans were lightly granted and taken as a matter of course. Undoubtedly in the face of huge accumulation of overdues and adverse agricultural conditions, the immediate liquidation of debts in most cases was an impossibility, but the utter lack of effort on the part of the borrowers to lighten their burden aggravated the ruin of the societies. Members tried to withhold from repayment whatever little they could repay and in this sense default in a vast majority of cases was deliberate. The managing committees of societies ceased to function and the staff had only a superficial knowledge of the members repaying capacity. The customary plea of crop failures and scarcity of produce was universally accepted with the least demur, without any detailed enquiry into the members' resources and actual income. A demand for recoveries lacked all sympathetic consideration of the members' future requirements and no wonder therefore that the debtors not liking to be left in the lurch treated it with contempt. This in brief is the summary of the position of agricultural credit societies in these districts, as it existed in the year 1936-37. The central financing institutions were in no happier state. The default by debtor societies made their existence threateningly shaky. Their recoveries from societies had at places sunk down to 3 per cent of the amounts loaned out by them, and their interest overdues represented a period of 36 to 40 months. Varying with different central institutions no less than 42 per cent to 80 per cent of their loan investments were frozen in D class and under liquidation societies. Saddled with a crushing burden of overdues they found their finances dangerously crippled. Happily most of them had built up strong reserves and were in a position to bear the brunt of losses threatened by bad investments but the extent to which they might be called on to meet them being undetermined they virtually groped in the dark as to their future.

It was in the face of these depressing conditions that the stupendous task of rehabilitating the movement was first taken up in Rohtak and Karnal Districts in the year 1937-38. Having taken a thorough stock of existing conditions, and our previous failures in the field an organised campaign for reconstructing the societies was launched. The task amounted to veritable cleaning of the proverbial Augean's stable and the success of the campaign primarily depended on its being carried out with faith, renewed hope and ceaseless energy. As a first essential therefore the entire out-look of the staff had to be changed from one of despair and dispondency to that of hope and confidence. The plans adopted were simple and easily workable. There was hardly anything novel in them. All that was required was their organised execution. The measures taken are briefly recapitulated below:

1. An intensive campaign for the co-operative education of the members was set afoot. This education was not imparted through lectures or sermons but was given at the members' own hearth through close personal contact. Of late the gulf between the members and the staff employed for the supervision of the societies had been sadly widening and each accused the other for the existing stalemate in the societies. For any improvement to be made possible this gulf had to be abridged. The staff were required to meet each and every member collectively and individually, apprise him of the condition of the society, the dire need of reconstructing it for his personal welfare and the welfare of the whole village community, the extent to which he was responsible for the society's affairs and the grave consequences to which he was heading by his present attitude of indifference. For any such teaching to be effective it was necessary to have a close and sympathetic consideration of his handicaps and difficulties, an appreciation of his essential wants and an assurance that these could be satisfactorily met. This educative campaign through intimate personal touch which aimed both at imparting teaching as well as sympathetically understanding the peculiar difficulties of each member formed really the pivot of the whole scheme on which all the plans for rehabilitation of the movement were to work. It was the foundation on which the reconstructed structure was to have a stable stand. If the plans anywhere failed to fructify in good results, the cause of the failure could at once be traced to a defective lay-out of this foundation of the whole scheme.

2. With the establishment of closer contact with each member, an exhaustive and analytical study was made of his financial position. All his assets and sources of income were put to a searching examination and as a result thereof his repaying capacity was determined, on the

basis of which a rational demand for the repayment of the loan owed by him to the society was assessed from crop to crop. Written undertakings were obtained from the members for the fulfilment of these demands by specified dates and it was clearly brought home to them that these promises had to be made good.

3. As a result of detailed enquiry into the condition of each debtor and his sureties, the extent to which a loan could be recovered was gauged. All loans were classified as either bad, doubtful or safe. A basis for the estimation of the debts as bad, doubtful or safe was laid down. For instance loans due by insolvents, deceased members who had left no property or an heir to acknowledge them, members whose whereabouts were untraceable from the last 10 years and who had no property, and members totally incapacitated for life to make a living and having no assets what-so-ever were to be styled as bad, provided an examination of the condition of their sureties also showed that no recoveries were possible from them. All loans estimated to be within the repaying capacity of the members in instalments spread over a number of years were to be classified as safe and the rest as doubtful. For the purpose of estimating the solvency or otherwise of each society in relation to its owned funds bad debts were considered as totally irrecoverable, safe, good up to their full amounts and doubtful worth half of their paper value. Without this preliminary determination of debts, no scientific plan of scaling down of old debts to their estimated realisable value could be launched and without the latter a scheme for the rehabilitation of the movement could only be a dream. In respect of this vitally necessary determination of debts, the departmental policy followed hitherto forbade calling a spade a spade, on the apprehension that debts once styled as bad or doubtful would eliminate all chances of their ever being even partly realised. However, necessary this policy may have been for the time being, the stage for adherence to it was long since passed. The wounds were getting deeper and uglier day by day and no amount of superficial clothing could screen them from sight. If the movement was to be saved from collapse the issue had to be boldly faced, the malady laid bare and its remedy sought. Any further postponement of this grave issue implied sure ruin, and it was to save the movement from this ghastly doom that this departure from the time-honoured policy of the department was decided upon.

4. Once demands of recovery had been carefully assessed in relation to the estimated repaying capacity of the debtors and in accordance with ordinary rules of sound business, every possible care was taken to see that the debtors made good their promises. In all cases of default

thereafter immediate legal proceedings for recovery of the loans were to be enforced and the debtors were to be closely approached till they came to acceptable terms with the societies. This naturally required recourse to legal action in much larger number of cases than resorted hitherto. The policy of relying on empty promise had at once to be given up. There had of late been a great degeneration of the debtors' morale, and it was felt that mere persuasion could not remedy it. In the background of these persuasive methods to be effective there must be a genuine fear in the mind of the debtors of their being put to inconvenience for recovery through courts of law. The resort to coercion, scrupulously within the tight frame work of the law, was designed merely to make persuasion effective and as was expected these measures far from bringing the movement in to further disrepute—there was actually an apprehension of it in some quarters—actually resulted in gradually restoring public confidence, allaying anxiety of several members who lived under a constant dread of unlimited liability and winning the whole-hearted support of the saner element in the movement.

5. It was at once realised that, though default in the sense that debtors withheld repayment of whatever they could repay was wilful, a proportion of debts in societies was well beyond the repaying capacity of the debtors and would have to be scaled down by grant of unavoidable concessions and remissions in one form or other. The scope of these concessions was definitely restricted to recovery of bad or doubtful debts, and these were to be extended only when seriously asked for by the debtors. This plan of conciliation of old debts also necessitated resort to some measure on the debtors in several cases, because for any such scheme to be successfully operative the proposal for conciliation must originate from the debtor's keen desire to shake off his shackles of debt and where debts had long been wiped off from memory as a serious liability a campaign of education alone could not bring about this change in the debtors' outlook. The grant of general concessions on a uniform basis to all debtors of a society was discarded forthwith. The proposal for conciliation of each debt was considered on its individual merits and a decision compatible with the solvency of the society, the collective interest of all its members and the ultimate welfare of its creditors was arrived at. Generally these individual conciliations of debts took one or other of the following forms:—

- (i) Remission in part or whole of interest arrears on full cash payment of the entire balance of the loan. Ordinarily the remission of interest in such cases was restricted to 50 per cent of the arrears.

(ii) Stopping of future interest on the loan and spreading recovery on outstanding principal and interest to long and easy instalments, ordinarily not exceeding a period of 10 years, provided:—

(a) The first instalment was paid forthwith as a proof of the debtors keenness to repay the loan.

(b) A fresh bond with better security was furnished if possible.

(c) The withdrawal of concession in case of default was made express and unavoidable term of the renewed contract.

All these conciliation of debts were sanctioned by the general meeting of the society and were subject to approval of the Deputy Registrar.

6. It was considered necessary to associate closely the Central Banks, the principal creditors of the societies, with the plan of conciliation of old debts. On the basis of determination of debts in each society a careful estimate of the extent of safety of the Bank's advances to it was made and the result communicated to the bank in each case. The Central Banks thus could gauge their financial stability and decide on the measure of relief which they must extend to each society. Any scheme of rehabilitation of the movement, the working of the entire co-operative organisation with all its component parts in homogeneous collaboration with each other was essential. The Central Banks could not function as isolated units and efforts were made to bring their policy in line with the plan of conciliation of debts, which otherwise offered hardly any prospect of realisation.

7. As it is necessary to resort to legal proceedings for recovery in much larger cases, the machinery of the execution of awards of societies was reorganised and brought under strict official control. The secretaries of societies, who were always in close touch with the debtors, were considered the fittest persons to undertake this work. A regular system of audit and inspection of their accounts was brought into force, and the staff was required to exercise a constant vigilance over their activities.

8. Mere liquidation of old debts could not bring about the rehabilitation of the movement. A prompt and sympathetic consideration of the most essential requirements of the members was necessary. The recovery of frozen debts was only the means to an end—the revival of the movement. Surely avoiding old mistakes with scrupulous care and caution, the functioning of the societies as agencies of system of

sound credit was of paramount importance. It was therefore decided that the recovery of old loans and the revival of fresh loan business must go hand in hand. The agricultural requirements of the members must be met, the loans made to members restricted to small amounts and punctual recovery insisted upon. Fresh loan business intended to bring about the revival of stagnant societies was to be essentially in the form of what are commonly termed as crop-advances.

9. It was felt that a large number of societies were badly manned. Either the leading and influential people of the village, best fitted to play the role of rural leaders, had kept themselves aloof from the very start or had left the societies during the last decade of their uninterrupted degeneration. With improvements made possible through the successful execution of their plans every effort was to be made for the enrollment in societies of a better type of new members.

10. Side by side with the planned rehabilitation of societies, an intensive campaign for the organisation of new societies, both credit and non-credit, was also to be carried. On the basis of detailed enquiries made, it was estimated that about 25 per cent to 33 per cent of the existing societies were such as were definitely beyond all hope of rejuvenation and must sooner or later be scraped out. The need for filling this gap was another factor in support of a policy of slow and sound expansion. New societies, however, were to be started in carefully selected villages among chosen people. When for credit, these were to have a good share capital and were to confine the scope of their business only to crop loans.

The above in brief is the outline of the scheme brought into play for the resuscitation of the movement, verging on collapse. The plans were inaugurated in Rohtak and Karnal districts in the year 1937-38 and have been in force since then. Despite the fact that the districts during the major portion of this period witnessed conditions of an almost unprecedented agricultural adversity, a factor which seriously impeded the successful operation of these plans, the improvement made are nothing short of a miracle. Not only has there been a remarkable improvement in recoveries resulting mainly from the welcome change in the debtors' morale, but there has also been a surprising revival of business in majority of societies, which for years have been in a state of inertia and stagnation. The year to year decline in membership has been checked and there has been an encouraging number of fresh admissions. Though the staff throughout has still been mainly engrossed in the grave task of setting the house in order, a policy of slow and cautious expansion of the movement has also been hazarded with obviously good results.

Without dwelling at length on the unquestionable success of these rehabilitative measures, it would be in the fitness of things to merely give figures from which improvements made are self evident.

## KARNAL DISTRICT

	1936-37	1937-38	1938-39	1939-40	1940-41
1. No. of Agricultural credit societies at the end of the year	386	385	374	334	421
2. No. of new societies registered during the year	..	4	11	22	40
3. No. of societies cancelled	5	5	22	12	3
4. Membership at the close of the year	8,531	8,558	8,757	9,358	9,918
The increase is mainly contributed by new admissions in old societies, as new registration hardly filled the gap caused by cancellation.					
5. Loans recovered during the year:—					
i. Principal	1,14,934	2,12,567	1,94,901	1,97,859	1,97,570
ii. Interest	1,41,339	1,68,274	86,049	78,842	69,662
iii. Total	2,56,273	3,80,841	2,80,750	2,76,701	2,67,232
6. Percentage of Principal recovery to the amount on loan at the beginning of the year	9·0	17·6	18·8	19·0	18·7
7. Interest overdues at the close of the year	592,350	5,20,630	4,92,596	4,85,685	5,09,572
8. Fresh loan business done by societies					
i. Amount lent	62,537	1,14,617	242,227	226,590	2,21,851
ii. Number of loans advanced	475	916	2,852	3,274	3,146
iii. No. of members who availed of fresh advances	426	819	1,999	2,308	2,587



	1936-37	1937-38	1938-39	1939-40	1940-41
1. No. of agricultural credit societies	498	497	479	466	465
2. No. of new societies registered during the year	1	nil	7	1	2
3. No. of societies cancelled during the year	1	1	25	14	3
4. Membership at the close of the year	12,376	12,343	12,306	12,167	12,116

The decrease in membership is apparently due to cancellations outnumbering fresh registration of societies. The fall would have been much greater but for the increase contributed by old societies.

5. Loans recovered during the year :—

i. Principal	78,077	1,82,644	1,39,773	1,47,561	2,37,168
ii. Interest	1,10,128	1,29,027	84,868	73,601	1,15,106
iii. Total	1,88,205	3,11,671	2,24,641	2,21,162	3,52,274

6. Percentage of principal recovery to the amount on loan at the beginning of the year

4.0	9.8	7.9	8.9	14.4
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7. Interest overdues

11,16,985	11,59,016	11,92,516	12,07,438	12,37,732
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Despite improved recoveries interest overdues in Rohtak district are still on the increase, though the increase registered is much less than heretofore. This is mainly due to accumulations of interest on bad and doubtful debts, where even the principal loans offer no prospect of full realisation. This increase can only be checked by a bold plan of writing off of irrecoverable amounts and this has yet to be decided upon.

8. Fresh loan business done by societies :—

i. Amount lent	43,047	83,605	1,84,423	1,46,862	1,50,898
ii. No. of loans advanced	487	897	2,776	1,898	2,016
iii. No. of members who borrowed	408	736	1,908	1,492	1,616

The comparative figures given above about Karnal and Rohtak districts show an all round progress. The facts that these improvement have been made in years of acute agricultural distress when for the most part severe famine conditions prevailed, is a notable achievement. The revival of fresh loan business is self evident. Not only has there been an increase in the amount loaned out, but there has also been a proportionately much higher increase in the number of loans and the number of borrowers. This is a clear indication of the fact that societies have restricted fresh loan business to small advances for agricultural requirements of the members. What is more gratifying is that the recovery of fresh loans has been well in accordance with the bond promises of the debtors. The figures given above hardly leave any doubt as to improvement in recoveries, which would be more prominently noticed from the following comparative statement of the last 10 years:—

Year.	Rohtak. %	Karnal. %
1929-30	4.3	11.2
1930-31	5.7	6.0
1931-32	4.2	3.7
1932-33	4.2	5.9
1933-34	5.5	5.9
1934-35	5.3	5.2
1935-36	4.6	6.0
1936-37	4.0	9.0
1937-38	9.8	17.6
1938-39	7.9	18.8
1939-40	8.9	19.0
1940-41	14.4	18.7

The measures of rehabilitation of the movement set afoot in Rohtak and Karnal districts in the year 1937-38 having been amply rewarded in encouragingly marked improvements, the operation of these schemes was extended to the neighbouring districts of Hissar and Gurgaon in the year 1939-40 and was immediately met with astonishing success. Though at the time the district of Gurgaon had hardly recovered from the effects of a long period of abnormal agricultural adversity, Hissar was still in the grip of a most devastating famine, the intensity of which might well be judged from the fact that the Provincial Government's expenditure on measures of relief amounted to crores of rupees. The figures given below give a convincing proof of the improvements made even in faminestricken Hissar, where for the most part not a blade of

grass could be seen. The success achieved in Gurgaon could be aptly described as a miracle.

	Hissar			Gurgaon		
	1938-39	1939-40	1940-41	1938-39	1939-40	1940-41
1. No. of agricultural credit societies	659	674	671	836	843	854
2. Membership	17,886	18,043	18,209	20,726	21,050	21,523
3. Loans recovered:—						
i. Principal	14,743	63,152	1,29,038	1,00,816	3,65,886	3,08,689
ii. Interest	21,617	69,934	1,37,035	1,34,195	2,89,251	1,72,827
iii. Total	35,360	1,33,086	2,66,073	2,35,011	6,55,137	4,81,516
4. Percentage of Principal recovery	0·7	2·9	5·9	3·6	13·3	12·2
5. Interest overdue	12,61,904	14,06,299	14,44,928	15,61,655	14,87,415	14,69,714
6. Fresh loan business done:—						
i. Amount lent	84,240	87,613	1,02,360	74,877	1,74,833	2,40,503
ii. No. of loans advanced	2,432	2,164	2,004	2,458	4,327	5,002
iii. No. of members who borrowed	2,687	1,963	1,915	1,980	3,367	3,353

The figures given above are vividly illustrative of marked improvements particularly in Gurgaon, where recoveries during the course of one year showed an almost four-fold increase. The decrease in interest overdue in this district is also particularly note-worthy. Though the trial of these schemes for the rehabilitation of the movement in these districts has everywhere been met with conspicuous success, what has been achieved is only a fraction what remains to be done. The societies have yet to be cleared of their appalling mess of overdue and bad debts. The improvements made have, however, infused a spirit of hope and confidence. The faith of the people in the movement is being gradually restored and in some areas things are fast returning to normal. Scaling down of debts has yet been tried on a very much restricted scale, and it is confidently hoped that with noticeable improvement in the debtors' morale and increasing signs of willing collaboration between

the Central Banks and Primary Societies, the schemes of conciliation will be pushed ahead. The success achieved during recent years through organised execution of these plans has, however, no longer left any room for despair and has given a convincing proof of the fact that through this properly organised campaign it is possible to reconstruct the societies on a sound and stable footing. All that is required is sustained effort both by the staff employed for the supervision of the societies and the members themselves and it is hoped that neither will fail in what is expected of them in this important task for resuscitating an organisation of unparalleled importance to rural development and economy.

## CO-OPERATIVE SOCIETIES AT WORK IN INDIA

### THE PUNJAB

Extracts from the report of the Registrar of Co-operative Societies, M. R. Bhide Esq., I.C.S., for the year ending 31st July, 1939.

**General Progress.**—The number of societies and members have increased by 655 and 51,075, respectively, as against 471 and 46,003 last year. The increase in membership is a source of great satisfaction. Some of it no doubt is due to bringing into societies as members the heirs of deceased members but the tendency for new members to join old societies has been particularly noticeable during the year.

Increase in the loan business of agricultural credit societies noticed last year has been maintained. Agricultural credit societies advanced Rs. 1,11,50,000 to their members as against Rs. 1,06,85,000 last year. Central Banks and Unions advanced to their affiliated societies and banks Rs. 2,46,43,000 as against Rs. 2,50,22,000 last year. Non-agricultural credit societies advanced to their members Rs. 71,46,000 this year as against Rs. 62,25,000 last year. The upward trend of recoveries in agricultural societies has also been maintained. The amount on loan due from members in agricultural credit societies was Rs. 616.40 lakhs at the end of the year as against 620.45 lakhs at the end of the last year showing a net decrease of 4 lakhs in indebtedness. Similarly in non-agricultural credit societies the amount on loan at the end of the year was Rs. 88,24,000 as against Rs. 91,49,000 last year. This shows a net reduction in indebtedness of some 3.25 lakhs. The work of recoveries as pointed out last year continues to fall more and more heavily on the shoulders of departmental officials. Non-officials do not yet seem to shoulder their share of responsibility in this connection to a satisfactory extent. Most members of societies plead inability to pay. In many cases it is so, but in a large number it is not the ability which is lacking but the desire. Wilful default is in my opinion on the increase. The effect of recent legislation on co-operative societies has been admirably expressed by Mr. Wace in last year's report and I cannot usefully add to it. The legal position being what it is, we must now concentrate on the moral aspect of co-operation. At all meetings and conferences held all over India stress is laid on the question of how to improve recoveries by expediting and simplifying execution work and by various other means. Little or no attention is, however, paid to the moral aspect. No co-operative movement can live and prosper if recoveries generally have to be made by coercion and threat of execution. If we cannot carry on without greater help from courts it means that we have failed in the most important aspect of co-operation, namely, the willingness of the people to pay. It is obvious that the real remedy lies in more and more teaching and we must, therefore, concentrate on this work.

Wilful defaulters are mostly led by prominent village officials like Lamdardars, Zaildars and Sufedposhes not to speak of higher personages like Members of the Legislative Assembly. Reports have been made against them to the Deputy Com-

missioners concerned but with little effect. If anything, such reports often make them more stubborn in their default. The tendency of course is to blame the Deputy Commissioners for not taking suitable action against them, but Deputy Commissioners are not in a very happy position. Deputy Commissioners cannot ignore the other administrative aspects of taking action against local notables. The remedy again is education.

**Education.**—Educational work has continued throughout the year and in fact been extended a little. The general consensus of opinion as regards the training of secretaries, office-holders and members of industrial and women societies is that these classes are of great help. They not only improve the standard of work of the office-holders and secretaries, but also create greater interest among members and improve the standard of work in a variety of ways.

The Educational staff held its conference at which various subjects were discussed. The educational staff is called upon to deal with a larger number of complicated cases and have to study law and practice and to give opinions. In this connection I must mention the excellent work done by the Educational Assistant Registrar.

The importance of educational work is so obvious that it needs no repetition. Mr. Wace has recommended that this staff should be made permanent and be paid by the Punjab Government when the Government of India grant is spent. The matter is under consideration and I hope that Government will accept Mr. Wace's recommendation.

**Lines of Expansion.**—The result of recent legislation has been the severe curtailment and in many cases the virtual disappearance of the Zamindars credit with the local moneylender. The demand for co-operative credit is therefore on the increase. Our experience of the last 30 years, however, shows that credit by itself cannot stand. Efforts to link credit with thrift have been made in the Punjab for some years but have more or less failed. The department is doing its best to inculcate the habit of saving by introducing shares, compulsory deposits and deposits for different purposes. All the same it must be admitted that we have made little progress. The ideal before every co-operator now is of controlled credit and for this we must link credit with certain other things, particularly marketing. We must, therefore, pay special attention to this work.

In the Punjab co-operative opinion has been almost unanimous in favour of single-purpose societies. The question of multi-purpose societies is now before all co-operators in India and in my opinion serious efforts to start multi-purpose societies at least on an experimental basis should be made.

The recent rise in prices can be utilized in a variety of ways, firstly for repayment of old debts, secondly for improvement of agriculture and thirdly for savings. In this connection we must take care and see that finance is strictly controlled and is for productive purposes and for short term only. Over-finance which was quite common in the last boom-period must be carefully avoided.

There are number of other things such as better-living and other non-credit work which should get more attention than they have in the past.

**The Punjab Co-operative Union.**—The financial position of the Union is still not satisfactory. Government agreed to make a lump sum contribution to the

Punjab Co-operative Union of Rs. 2,38,260 a year on the basis of 50 per cent of Rs. 4,76,520 contributed by societies in 1937-38. This is to be paid for five years from 1939-40 when the rate and the amount will be reconsidered. Out of this amount Rs. 46,000 were, however, retrenched in 1939-40 on account of financial stringency.

The Secretary of the Punjab Co-operative Union and Editor of Co-operation gave radio talks on co-operation and rural economics from the All-India Radio Station, Lahore. The Punjab Co-operative Union has translated into Urdu 10 standard books on Co-operation and rural economics. These are greatly appreciated by the public. The Secretary of the Punjab Co-operative Union continued to do the work of Honorary Secretary of the All-India Co-operative Institutes Association.

**The Punjab Provincial Co-operative Bank.**—The progress of the Provincial Bank is shown in the following table:—

		1936-37.	1937-38.	1938-39.
Share-holders (All societies)	..	12,575	12,453	12,359
	Rs. (lakhs)	Rs. (lakhs)	Rs. (lakhs)	Rs. (lakhs)
Share capital	..	11·42	11·43	11·44
Other Owned Capital	..	10·06	10·8	11·01
Working Capital	..	149·28	148·80	147·94
<i>Fixed loans granted to Central Banks and Unions</i>				
Amount granted	..	49·02	42·44	45·48
Total outstanding at the end of the year	..	34·68	34·93	40·83
<i>Cash Credits granted to Central Banks and Unions</i>				
Total limits granted	..	5·15	5·20	5·45
Amount drawn at the end of the year	..	1·04	1·52	2·17
Provincial Banks' liability	..	4·11	3·68	3·28
<i>Fixed loans granted to Mortgage Banks</i>				
Amount granted out of the bank's fund	..	·15	·37	Nil
Amount outstanding at the end of the year due to Government	..	14·11	13·77	13·10
<i>Loans and deposits held</i>				
From the Public (individuals and other sources)	..	19·61	16·04	19·32
From Central Banks and Unions	..	180·20	105·37	106·16

At the end of the year the fluid resources held by the bank amounted to Rs. 86.98 against the required amount of Rs. 26.93 lakhs. The balance sheet value of Government Securities held at the end of the year was 91.97 lakhs. The market value is in excess of this by 7.13 lakhs.

**Lending and borrowing rates throughout the year.**—Lending—Minimum—Bank rate subject to a minimum of 4 per cent for cash credit and 3½ per cent for fixed loans. The bank rate remained at 3 per cent throughout the year. Borrowing—Maximum—2¾ per cent on renewals of existing fixed deposits for one year. Minimum—2 per cent on new fixed deposits for one year.

The Book value of the Government Securities held by the Bank was Rs. 91.97 lakhs as against the market value of Rs. 99.1 lakhs. The fluid resources held by the Bank amounted to Rs. 86.98 lakhs, against the required amount of Rs. 26.98 lakhs. The working expenses of the Bank for the year were 0.33 per cent of the working capital, while those for the past year were 0.30 per cent. The Bank earned a profit of Rs. 38,427 against Rs. 64,548 of the previous year. The maximum lending rate was the Bank Rate (which remained throughout the year at 3 per cent), subject to a minimum of 4 per cent on cash credit and 3½ per cent on fixed loans. The borrowing rate stood at 2¾ per cent on renewals of old deposits for one year and 2 per cent on new deposits for the same period.

As a result of the recent amendment to the Income-Tax Act, Co-operative banks can claim a set off equal to interest paid on deposits invested in securities against their total assessable income. The bank will now make considerable savings in income-tax every year. *It is also expected that we shall get a refund of about 4 lakhs for the past years.* Dividends declared during the currency of the debentures in the way of book credit are now being paid in cash as it has been found that the amounts to be so given were too small to be converted into bonus shares as was originally contemplated.

**Central Banking Institutions.**—The number of Central Banks is 48, of Banking Unions 68 and of Industrial Unions, 4. The following figures show the progress of these institutions (Excluding the Industrial Unions):—

	1937-38. Rs. (Lakhs).	1938-39. Rs. (Lakhs).
Working Capital ..	658	651
Owned Capital* ..	122	127
Invested in Government Securities (Book Value) ..	136	140
<i>Deposits :—</i>		
(a) Individuals ..	442	423
(b) Societies ..	49	49
<i>Fixed Deposits :—</i>		
Non-members ..	294	296
Members ..	63	60
Local Bodies ..	49	48
Total Profits ..	4.45	2.65

\* Includes share capital, reserve, other owned funds and also undistributed profits, the last mentioned amounting to Rs. 1.54 lakhs.



63.08 lakhs were lent to 6,895 societies as against 61.34 lakhs to 6,323 societies last year. 11,541 societies did not borrow during the year as against 12,223 last year. 2,207 did not borrow because they had adequate funds, 5,007 because they were defaulters and 4,327 for other reasons. The total amount outstanding at the end of the year was Rs. 3,72,49,000 principal and Rs. 53,37,000 interest as against Rs. 3,74,16,000 principal and Rs. 46,93,000 interest at the beginning of the year. Interest arrears have gone up by nearly 6½ lakhs while principal has decreased by a little over 1½ lakhs.

Three thousand eight hundred and sixty seven societies owe above their M. C. Ls. The lending rates of Central Banks and Unions vary from 3½ per cent to 8 per cent but the most common rates are between 6 and 8 per cent with or without rebate of ½ to 1 per cent.

Central Banks are giving relief to their member-societies to as large an extent as possible, but the extent of the relief depends on the response from indebted societies and their members. Various schemes of concession are also being worked out as in previous years. Central Banks on the condition that they remit an equal amount have been given grants from the Special Development Funds for conciliation of debts. Similarly they get help for grain payment schemes on the condition that they spend an equal amount from their own funds. The system of repayment in grain is doing well and is really a step towards linking credit with marketing.

**Land Mortgage Banks.**—There are 10 registered banks, while two at Gurgaon and Sonapat are under liquidation. Their working capital in 1938-39 amounted to Rs. 13.40 lakhs, of which Rs. 13.12 lakhs was borrowed from the Punjab Provincial Co-operative Bank. The year under report has not been at all encouraging. Only two new loans aggregating to Rs. 8,300 were advanced in two banks. All the banks, except two are really under voluntary liquidation.

**Agricultural Credit Societies.**—The number of agricultural credit societies has increased from 17,017 to 17,095 and membership from 524,545 to 536,501. A part of this increase of nearly 12,000 is due to the admission of heirs of deceased members, but a part is also due to new members joining existing societies. Twenty-six thousand three hundred and twenty-three new members joined old societies while 15,749 old members left them. This tendency has been marked in a number of districts. A rapid increase in the number of co-operative societies is in my opinion also not desirable. New societies should only be started in areas which are prepared to take up co-operative finance in the proper spirit and new members should be admitted only if they are co-operatively minded. One lakh six thousand five hundred and sixty-one members have been returned as literate but the actual number is more as two districts have not reported their figures.

Loan business which showed an increase last year to Rs. 1,06.85 lakhs has further increased to Rs. 1,11.50 lakhs this year. As Rs. 7.66 lakhs represent renewals or transfers, the net fresh advances comes to Rs. 103.84 lakhs. This increase in fresh loan business is noticed in almost all circles including South-east Punjab. It may be pointed out that in the famine-stricken areas, in spite of difficult times and poor recoveries our societies continued to advance to their members for various purposes, particularly seed and fodder. The policy to give

mostly crop and cattle loans is being followed and the amount advanced for these purposes was Rs. 40·92 lakhs against 37·75 lakhs last year. The figures of one or two districts seem to be wrong, but it can safely be said that a larger percentage is now being given for these purposes than before. The table of analysis of loans shows that lending for short term and self-liquidating objects is becoming more and more common.

The total amount on loan at the end of the year was 616·40 lakhs as against 620·45 lakhs at the beginning of the year and 629·40 lakhs at the beginning of the previous year. Lending rates vary from 3 per cent to 25 per cent but the most common rates are 9½ per cent Rs. 65·86 lakhs, 7 per cent Rs. 8·95 lakhs, 8 per cent Rs. 6·65 lakhs, 12½ per cent Rs. 5·92 lakhs, 7½ per cent Rs. 5 lakhs, 5 per cent Rs. 4·64 lakhs, 6 per cent Rs. 3·76 lakhs, 6¼ per cent Rs. 2·96 lakhs. Loans below 3 per cent and without interest were nominal and so also loans above 12½ per cent.

Recoveries:—

		<i>Demand</i> 1938-39.	<i>Recoveries.</i> 1938-39.
		<i>Lakhs</i>	<i>Lakhs</i>
Principal	..	131·03	108·93
Interest (including overdue interest)	..	218·90	40·74

Recoveries last year were Rs. 112·19 lakhs principal and Rs. 43·55 lakhs interest.

A very small percentage of our recoveries is the result of coercion. Last year's remarks that the work of recoveries falls on the shoulders of the departmental staff to an increasing extent apply with greater force this year. A large number of defaulters are men of influence and are mostly members of agricultural credit societies. They not only do not help but obstruct in the work of recovery and set a bad example to others. Directors, as a rule, show little desire to help in recoveries. The result is that the staff of Inspectors and Sub-Inspectors have to neglect their proper work of supervision and control and have to do the work of recoveries.

The lesson of thrift and self-help has not yet been learnt. Out of 13,750 societies which are over 10 years old only 68 have started compulsory deposits and 559 societies re-started collection of shares. Three thousand and ninety-three such societies are in D Class while only 2,651 own 75 per cent or more of the working capital. Our efforts to link credit with thrift have so far failed and we must now take up the work of linking credit with marketing.

**Better Farming Societies.**—There are 183 Better Farming Societies as against last year. These societies are doing almost nothing jointly and are only doing the work of distribution and cultivation of improved seed. Two thousand, seven hundred and ninety-four maunds of wheat, 695 maunds of cotton, 80 maunds of Berseem and other seed were distributed by these societies. They also sold a few improved implements.

**Land Reclamation Societies.**—There are 63 Land Reclamation societies in Hoshiarpur and Ambala as against 12 last year. This work is now being done by the special staff appointed from the Government of India grant. The staff consists of 2 Inspectors and 10 Sub-Inspectors. Out of 37,000 acres under the control of these societies, 12,963 acres is closed under section 4 of the Chos Act. Four thousand, one hundred and nineteen of this is also closed under section 5 of the Act. Five hundred and eighty-five acres in addition to this are closed under section 38 of the Forest Act. The villagers prefer closures under section 38 of the Forest Act which is not so rigorous. People are extremely keen on this work and it is hoped that this work will prosper in these districts.

**Consolidation of Holdings.**—One hundred and ninety-two societies with a membership of 25,241 were registered during the year. The total number of registered societies was 1,477 at the end of the year. Work was going on in 297 villages. During the year under report 157,211 acres in 217,772 blocks were consolidated into 31,687 blocks. The area consolidated this year beats the record figure of 1,32,313 of last year. The total area consolidated up to 31st July, 1939, is 10,76,034 acres. The staff has now been substantially increased to 30 Inspectors and 279 Sub-Inspectors. Of these 8 Inspectors and 104 Sub-Inspectors are paid by the local Government, 7 Inspectors and 83 Sub-Inspectors from the Government of India grant and 15 Inspectors and 92 Sub-Inspectors from the Special Development grant and contributions from villagers, 3 posts of Inspectors are vacant.

The outturn per Sub-Inspector rose from 731 acres to 749 acres. The cost per acre including contributions was Rs. 1—8—6 per acre as against Rs. 1—12—1 last year and excluding contributions Rs. 1—5—7 per acre as against Rs. 1—8—3 last year. Contributions were paid at rates varying from Re. 0—3—0 to Re. 0—10—6 per acre.

**Sale Societies and Commission Shops.**—There are 20 Commission Shops, 2 Sale Societies, 1 Sale Union and 2 Marketing Organizations.

Of the 20 Commission Shops, those at Toba Tek Singh and Hafizabad are doing very badly and will have to be cancelled. Both of them have had embezzlements in the past and are running in loss and there is no hope of reviving them. The shop at Gujranwala is also not doing well, but can with efforts be improved. As regards the shop at Dina Nagar it has improved but there are a number of bad debts for which the Manager is responsible.

Commission Shops have a membership of 8,189 individuals and 926 societies. One thousand, nine hundred and twenty-nine members did not sell anything through the shops. These shops sold 8,25,630 maunds worth Rs. 26,65,335 as against 6,50,409 maunds worth Rs. 20,85,739 (or Rs. 19,05,739) last year. This shows a substantial increase in weight and value of the goods sold.

Commission Shops stored 46,349 maunds against 43,409 maunds and advanced 92,924 against 92,338 last year. Most of the shops lend against the security of goods at rates varying from 6¼ per cent to 9½ per cent. In many shops a good deal of lending to members and non-members is being done without the security of produce. Similarly purchasers are allowed to keep their bills pending for

long. Action in this connection is necessary. The shops at Sargodha and Okara gave dividends at 4 per cent and 3 per cent respectively while the shops at Sargodha and Gojra gave rebates at 3 annas and 2 annas 6 pies per cent respectively.

At the close of the last co-operative year a number of Commission Shops were boycotted. There was some difficulty in the beginning but eventually we were able to meet the boycotts successfully. In fact these boycotts were helpful to the shops. Zamindars finding that their institutions were being attacked came to them more with the result that the shops increased their business. Shops in only a few places were boycotted, but the boycotts were withdrawn by October, 1939.

**Non-Agricultural Credit Societies.**—Out of a total of 1,130 societies, with a working capital of Rs. 123 lakhs, 218 are of limited liability and the rest unlimited liability. The limited liability societies are mostly in towns among shopkeepers, traders, etc. Loans given during the year were Rs. 71.46 lakhs as against Rs. 62.25 lakhs last year; and loans recovered were Rs. 66.18 lakhs. The percentage of recoveries in urban non-agricultural societies was 82.8 per cent against 77.9 and in rural areas 26.0 per cent against 27.7 last year.

There are 35 Urban societies mostly among salary earners in Simla. These societies are doing very well. Percentage of literacy is almost cent per cent. Demands were about 98.2 per cent and recoveries 99.9 per cent. There are 127 societies in Lahore with 25,459 members. Most of the loans are given at 6 per cent and some at 7½ per cent and 9¾ per cent. Demand was 87.6 per cent and recoveries 97.9 per cent. Percentage of literacy is nearly 80 per cent. The movement in Simla has more than maintained its position and so also that in Lahore. Gurdaspur shows improvement from 70 per cent to 76.7 per cent in recoveries. Four urban societies in Gurdaspur gave cash credit facilities to 33 members. They borrowed Rs. 49,237 and repaid Rs. 52,223 during the year. There are 49 societies in Jullundur City, half being of limited liability. Percentage of recoveries in limited liability societies is 183.5 per cent. A number of these societies gave cash credit facilities to their members. The urban movement in Jullundur is doing well but that in Amritsar is not as satisfactory as it should be.

The work of urban banking has been more or less neglected in the Punjab, and it is time more attention was given to it. With a view to improve supervision, etc., in urban areas some 33 selected sub-inspectors were recently put on one month's training in urban work. It is intended to put only such trained men in urban areas. The work of urban banking has done extremely well in Bombay and there is no reason why the Punjab should not be able to do as well.

**Arbitration Societies.**—The number of societies has gone up from 115 to 116. Of these 66 are in Kangra and 12 in Attock. Seven hundred and twenty-four cases were decided during the year, 339 by Committees and 385 by arbitrators. In the Kangra societies 463 cases were decided, 213 by Committees and 246 by arbitrators. In Attock, however, all the 103 disputes were decided by

arbitrators. In Lahore one important case involving Rs. 3,500 was decided by arbitration. Arbitration societies are doing fairly well in Kangra in spite of many difficulties, but the work as a whole in other parts is not very successful. The new Arbitration Act now under discussion if passed in its present form will adversely affect arbitration societies. Panchayats which are now going to be started on a large scale with wide powers will also adversely affect our societies.

**Better Living Societies.**—The number of Better Living Societies has increased from 1,084 to 1,318 and membership from 50,793 to 62,578. There are 4 Inspectors and 69 Sub-Inspectors on non-credit work in different parts of the Province. Societies work on different lines in different districts according to local conditions but the work can be summarized under the following main headings:—(1) Sanitation and hygiene; (2) Recreation and physical culture; (3) Education; (4) Improvement of agriculture; (5) Improvement of Cattle; (6) Curtailment of expenses on different ceremonies; (7) Avoidance of litigation, and (8) Improvement of morals.

**The Women's Movement.**—The following table shows the progress of the Movement in the last three years:—

	1936-37	1937-38..	1938-39.
Number of Societies	.. 225	233	233
Membership	.. 4,773	5,274	5,321
Working Capital	.. 2,74,329	2,68,327	2,90,086

Membership of our societies consists of three types of people. First are the employees in hospitals, schools, etc. They have a steady source of income from which to save. They are also well educated and their societies are in a good condition. Next come the wives of professional men, salary earners, tradesmen, etc., in urban areas. Their standard of education is quite high and some of them have their own sources of income from which to save. Their societies are doing fairly well. Last come the societies from rural areas where the members are the wives or sisters or relations of big or small men in the villages. Their standard of intelligence and education is low and they are lacking in the co-operative spirit.

Women societies have tried to encourage thrift but the experiment cannot be said to have been a great success. It was, therefore, decided some time ago that our work must go beyond thrift alone. The programme of work has accordingly been widened and includes a number of things like better living, home industries of various types, education and so on. There are three women's institutes at Hoshiarpur, Amritsar and Gurdaspur and a number of purdah clubs exist in most places. Demonstrations have been given to women in fruit preservation, embroidery, knitting, sewing, etc., with a view to their taking up these industries as an additional source of income. Signs are not lacking that women in some

places are taking to this. It will of course take some time for this work to develop but it is hoped that with increased staff it will be possible to do this soon.

### BOMBAY

Extracts from the Report of the Registrar of Co-operative Societies, S. M. Ikram, Esq., I. C. S., for the year ending 30th June, 1940.

**General Progress.**—After the outbreak of war, prices of some of the agricultural commodities showed an upward trend in the beginning, cotton prices soared very high in the months of December and January, but the rise in prices did not last very long. A number of agriculturists were able to realize better prices for their produce, but many who had stored their produce—particularly cotton—in the expectation of realizing still better prices, had to sell at very low prices or to hold on till the next year.

The following statements record the progress made during the year:—

#### PART I

Types of Societies.	Number of Societies.		Number of members	
	1938-39	1939-40	1938-39	1939-40
Central banks (including Provincial Bank and Provincial Land Mortgage Bank) and Banking Unions ..	13	14	15,861	15,949
Agricultural Societies (including Land Mortgage Banks) ..	4,047	4,169	261,521	267,219
Non-Agricultural Societies ..	936	978	323,779	336,652
Unions ..	128	126	3,505	3,558
Insurance Societies ..	2	2	7,222	7,968
Total ..	5,126	5,289	611,888	631,346

## PART II

Types of Societies	Share Capital.		Reserve and other funds.		Working capital.	
	1938-39.	1939-40.	1938-39.	1939-40.	1938-39.	1939-40.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Central Banks (including Provincial Co-operative Banks and Provincial Land Mortgage Bank) and Banking Unions	44,09,535	44,63,860	42,63,884	46,73,805	5,44,83,238	5,34,95,096
Agricultural Societies (including Land Mortgage Banks)	41,48,634	43,12,983	92,89,307	96,28,123	3,44,86,219	3,40,67,485
Non-Agricultural Societies	1,53,73,949	1,64,52,879	1,03,88,882	1,05,09,826	7,33,48,217	7,31,03,969
Insurance Societies	....	....	....	....	3,80,158	6,48,705
Total	2,39,32,118	2,52,29,722	2,39,42,073	2,48,11,754	16,26,97,832	16,13,15,255

**Objects of Loans.**—The bulk of finance by agricultural credit societies consists of advances of a short term nature made for the purpose of current agricultural needs. Loans for unproductive purposes like ceremonials are discouraged and show a downward tendency. Loans for redemption of old debts are advanced through the agency of land mortgage banks, which is the appropriate agency for dealing with long term finance. There is a slight decrease in the amount of loans advanced for land improvement.

In the case of non-agricultural societies, the major portion of loans are advanced for trade, commerce and other allied purposes.

**Agricultural Credit Societies including Multi-purpose Societies.**—A large number of thrift and credit and multi-purpose Societies were registered during the year and this is, to some extent, due to increased demand from rural areas for credit specially for current agricultural needs, but mainly it is the result of the propaganda carried on by the department for popularising multi-purpose societies. The main feature of the new type of organisation is that the Society aims at linking up credit with thrift and or with marketing and supply and thus overcome the main drawback found in the older type of societies which confine their operations to credit only. The registration of 19 better farming societies which are intended to promote improved methods of agriculture and thus function as complements of multi-purpose societies, offers scope for improving the agricultural industry.

In urban areas, the advantages of the co-operative method are increasingly appreciated as is evidenced by the increase in the number of societies—particularly amongst the salary earners.

The subjoined statement shows the salient figures with regard to the working of the agricultural credit societies including multi-purpose societies:—

		1938-39.	1939-40.
Number of Societies	..	3,709	3,796
Membership	..	1,92,759	1,93,282
		Rs.	Rs.
Working Capital	..	2,92,45,086	2,79,58,097
Reserve and other funds	..	81,03,346	84,24,807
Member's Deposits	..	22,08,279	18,80,459
Share Capital	..	32,35,002	33,30,870
Bank Loan Outstanding	..	1,37,40,864	1,24,20,577
Other outside liabilities	..	19,56,944	19,01,384

The total outstandings during the year under report show an appreciable decrease of 15 lakhs and compare favourably with the decrease of 6 lakhs recorded during the previous year. The decrease can be attributed to the present policy according to which the existing commitments are seldom allowed to increase and suitable cuts are effected so as to bring the debts within or nearer the paying capacity of the debtors.

The recoveries for the Province as a whole (including advance recoveries shown under a separate column) show a substantial increase of 15 lakhs over the previous year's figures.

Under the existing orders of Government, the coercive measures for recoveries of dues of Co-operative Societies are suspended for the period intervening between 31st August and the commencement of the next land revenue collection season. As many important crops in a number of districts are harvested before the dates for the collection of land revenue, the difficulties that arise in collection of Co-operative Societies dues in consequence of these orders can easily be imagined. Similarly, orders passed for granting time to those members of societies who paid one or two year's interest on the analogy of the benefits conferred under the Small Holders Relief Act, even going beyond the Act and extending the benefits to members who are not small holders, have also, to a certain extent, retarded recovery work. Moreover there is a feeling among debtors of societies that they would get more concessions under the Bombay Agricultural Debtors Relief Act than under the Registrar's concession schemes and that it would be in their interest to postpone the payment till the Act came into operation.

There is an improvement in the figures of arrears for the Province as a whole. The unauthorised arrears record a fall of nearly 9 lakhs, the percentage having decreased from 61 to 59. This improvement is mainly due to the progress effected in the normal areas, where there is a corresponding decrease of about 9 lakhs, in the figures of overdues. The percentage of overdues, in the normal area has



also fallen from 59 to 56. The position in the precarious and backward tracts, which had shown marked improvement last year, remains the same.

Societies were advised to write off bad debts and amounts shown as losses consistently for over a period of 3 years against reserve funds. The total losses written off in this manner during the year amounted to Rs. 1,01,610. Losses in societies are partly due to the arrears of interest with defaulters and partly due to the unremunerative return on lands taken over by societies.

Side by side with the process of classification of debts, the policy of granting concession to the borrowers of societies on collective as well as individual basis continued to be in operation throughout the year. The scale of concessions varied for different tracts according to the financial position of societies and the accumulation of overdue interest.

**Multi-purpose Societies.**—Very active propaganda was carried on in rural areas for explaining to the agriculturists the utility and advantages of multi-purpose societies and instructions were also issued to the officers concerned that one or two multi-purpose societies may be organised in each taluka after careful enquiry in regard to the available personnel and other relevant factors. In pursuance of these instructions, as already indicated above, 54 new multi-purpose societies were registered during the year which, together with the societies registered in the previous year and the societies converted into multi-purpose societies, brought the total number of multi-purpose societies to 65 at the close of the year:

In organising these societies, the immediate object kept in view was to provide finance for cultivation needs and also to arrange for the sale of produce of the agriculturists who are financed by these societies or by agricultural credit societies working in their area of operations. The centres chosen for these societies are in most cases minor market places where cultivators usually sell their produce. It is premature to express any opinion regarding this experiment for linking up credit with marketing through the agency of multi-purpose societies. Some of them, however, have made a promising start, while others had not commenced business till the close of the year.

The following statement gives the main statistics regarding operations of multi-purpose societies:—

	1939-40.
Number of Societies	.. 65
Number of members	.. 2,741
	Rupees.
Share Capital	.. 42,500
Reserve and other funds	.. 12,658
Deposits:—	
(a) From members	.. 6,584
(b) From non-members	.. 17,891
Loans from Central Banks	.. 48,225
Working Capital	.. 1,27,858

	Rupees
<b>Loan operations :—</b>	
(a) Crop Loans ..	42,588
(b) Loans on security of produce ..	1,19,904
(c) Intermediate term loans ..	11,435
(d) Loans for domestic and industrial requirements ..	10,547
Total loans outstanding ..	70,593
Overdues ..	9,007
Value of agricultural, domestic and other requirements supplied ..	39,017
Price realised on sale of agricultural produce ..	26,838
Commission earned ..	2,393

There were three principal needs of multi-purpose societies, viz., (i) adequate godown facilities for storing agricultural produce brought to them for sale; (ii) subsidies to meet the cost of management, particularly in the initial stages when the turn-over is not likely to be large; and (iii) provision for efficient and well trained staff to serve as secretaries. Government has recently issued orders sanctioning rules under which long term loans for the purpose of constructing godowns at 4 per cent interest can be granted. Government has also undertaken to pay a subsidy up to Rs. 150 a year to each multi-purpose society for the first three years to enable it to maintain suitable staff. Under the scheme sponsored by Government for the training of rural assistants, it is contemplated that the rural assistants, on completion of their training, would be available for appointment as secretaries of multi-purpose societies at the villages where they may be appointed to work.

**Supervision.**—The number of district boards of supervising unions stands at 16 as at the close of the previous year. The Broach District Board of Supervising Unions was registered after the close of the year, while the district supervision board at Kaira was ordered to be wound up, as the supervising unions working under it were taken into liquidation, consequent on the winding up of the Kaira District Central Co-operative Bank. Kolaba and Ratnagiri districts continue to be without any Board. The staff of the boards of supervising union consists of 124 Supervisors and 18 Assistant Supervisors. The number of supervising unions, including guaranteeing unions, and unions for the Southern Gujrat cotton sale and ginning societies stands at 110. The number of societies affiliated to them was 3,501.

During the year under report, some of the supervisors of the district boards were taken up as Assistant Rural Development Inspectors for propaganda work in connection with rural development schemes.

**Primary Land Mortgage Banks.**—The number of land mortgage banks working in the Province at the close of the year was 17. The number of members increased from 9,095 to 10,384. The amount of loans outstanding with members went up from Rs. 20,90,748 to Rs. 26,29,342 which are exclusive of loans advanced by the Bombay Provincial Co-operative Bank, Limited, prior to the establishment of the Bombay Provincial Co-operative Land Mortgage Bank, Limited, and not yet taken over by the latter. The number of loan applications received by the primary land mortgage banks during the year was 1,083 and 605 applications were forwarded to the Provincial Land Mortgage Bank for sanction of loans. The

total amount outstanding with members of the primary banks at the end of year Rs. 27,00,025.

The conciliation boards of primary banks secured remissions from creditors to the extent of Rs. 1,35,719 during the year before disbursing loans for payment of old debts. These boards are considerably handicapped in this work as they have no statutory powers to enforce attendance of creditors and production of their books and documents.

The comparative smallness of the volume of business done by primary land mortgage banks during the period under report was largely due to the suspension on the part of the apex bank for nearly 4 months of its normal operations for want of loanable funds and also partly due to the enactment of the Bombay Agricultural Debtors Relief Act under which intending applicants expected to secure greater relief than what could be secured by voluntary conciliation through the efforts of land mortgage banks.

The number of affiliated primary banks increased during the year from 13 to 16. The paid-up share capital of the bank increased from Rs. 4,21,000 to Rs. 4,46,300.

During the year under report, the bank received from primary banks 516 fresh loan applications for Rs. 8,42,013 of which 367 applications for Rs. 4,67,000 were sanctioned and 41 for Rs. 1,36,469 were rejected. The remaining applications were pending with the bank at the close of the year.

The bank advanced to primary banks, during the year under report, 443 fresh loans amounting to Rs. 6,07,450 inclusive of loans taken over from the Land Mortgage Department of the Bombay Provincial Co-operative Bank, Limited. The outstandings from primary banks as on 30th June 1940 stood at Rs. 23,88,608 as against Rs. 19,25,958 at the close of the previous year.

For the first time during the last 4½ years, the bank made a profit. It amounted to Rs. 17,068-7-5. With an increase, in the volume of its business and with economies in the cost of management, the bank may hope to give its share holders a moderate return on their capital in future.

**The Bombay Provincial Co-operative Land Mortgage Bank.**—The work of transferring the assets of the Land Mortgage Department of the Bombay Provincial Co-operative Bank Limited, to the Bombay Provincial Co-operative Land Mortgage Bank Limited, continued to make progress. In all, 207 cases for Rs. 3,58,498 were sent up for transfer and the bank decided to accept 156 cases for Rs. 2,73,800. Of these, 103 cases for Rs. 1,57,295 were transferred before the close of the year. The cases now awaiting transfer are 53 for Rs. 1,11,650. The primary banks concerned have been instructed to expedite the transfer of these cases.

The war has tended to impede the progress of the Land Mortgage Banks' movement, which depends, for its healthy growth, on continuous and adequate supply of cheap long term funds. During the year the second series of debentures were floated at an issue price of 98½ for 10 to 15 years at 3½ per cent as against the first series issued at par for 20 to 25 years at 3¼ per cent in pre-war days; thus necessitating an increase in the lending rate of the apex and primary banks and also reduction in the maximum period of repayment of loans from 20 to 15 years. This has to some extent, restricted the loan operations of the Provincial as well as the primary land mortgage banks.

**Cotton Sale Societies.**—The cotton sale societies, both in Karnatak and Gujerat, continue to occupy a prominent place amongst the agencies through whom the cotton crop of the Province is marketed. The Gadag Cotton Sale society had another year of successful working. Although there was a drop in its total sales which amounted to 14,625 dokras, as against 30,000 dokras during the previous year, the society realised a net profit of Rs. 8,458 on the year's working. The Hubli Cotton Sale Society is showing signs of distinct improvement under the management of the Board nominated by Government, though it has still to regain the lost confidence. It has recently cleared off its dues to the Indian Central Cotton Committee and is gaining its credit with the financing agency and local Banks. During the year the society sold 4,745 dokras worth Rs. 1,75,126 and made a profit of Rs. 838.

Other types of sale societies could be classified as under according to the nature of produce sold:—

(a) Gul	.. 1
(b) Chilly	.. 2
(c) Mango	.. 4
(d) Paddy	.. 1
(e) Arecanut	.. 2
(f) Fruits and vegetables	.. 9
(g) Eggs	.. 2
(h) Miscellaneous	37
	—
	58
	—

**Better Farming Societies.**—It had been suggested that intensive work in regard to agricultural and other improvements would be more effectively performed by a better farming society working in a restricted area, than by a taluka development association, the activities of which extended to a whole taluka. Such better farming societies are intended to promote the adoption of improved methods of cultivation, joint purchase of agricultural requisites, joint sale of produce, improvement of livestock, fodder storage, development of cottage industries, etc., in a compact area round their headquarters, and their development will be watched with care.

**Better Living Societies.**—Though the total number of these societies which was 34, remained unchanged, the total membership went up from 2,456 to 2,515. The activities of these societies include attention to public health, education, supply of medicines, water-supply, road construction, settlement of disputes, curtailment of ceremonial expenditure, etc. Some of these societies are dormant, but others which are working, have succeeded in bringing about some improvement in social life of their members.

The Bagni Co-operative Harijan Better Living Society has built a colony for Harijans and has succeeded to some extent in loosening the hold of customs on the minds of its members. With the organisation of better farming societies, the need for registering separate better living societies will not ordinarily exist, as the by-laws of better farming societies have been so framed as to permit the societies to undertake item of work in regard to better living also.

A feature of the year in the field of co-operative banking was the formation of a co-ordinating agency for the central and urban banks, on the lines recommended in the Joint Reorganisation Report. It is designated as the Bombay Co-operative Banks' Association but has not been registered under the Bombay Co-operative Societies Act. Its objects as embodied in its by-laws are as under:—

- (1) To co-ordinate the work of central and urban banks in the Province of Bombay and to promote uniformity in banking practice.
- (2) To arrange, if necessary, for inspection of member banks not served by an audit federation.
- (3) To keep in touch with the Agricultural Credit Department of the Reserve Bank of India, money market, security market, and to issue periodical bulletins to member banks.
- (4) To look into all important matters such as borrowing and lending rates of banks, mutual arrangements regarding inland exchange business, maintenance of adequate fluid resources, training of the staff of member banks in consultation with the Bombay Provincial Co-operative Institute.

The outstanding event of the year under report was the outbreak of war in Europe. The immediate effect of war on co-operative banking system in this province as on joint stock companies was the heavy withdrawals of deposits. The withdrawals, however, were confined to a few banks. The demands for deposits were promptly met and confidence was soon restored. The total sums withdrawn were in the neighbourhood of Rs. 30 lakhs, but the bulk of the money flowed back into the banks after the panic subsided.

**The Bombay Provincial Co-operative Bank.**—During the year under report the total working capital of the Bank was Rs. 2,31,10,469 as against Rs. 2,28,91,230 of the last year. There is a small increase of nearly Rs. 1½ lakhs in the total deposits but the amount of fixed deposits has gone down by Rs. 5½ lakhs. The reduction in the figure of fixed deposits is due largely to the war panic which was at its worst towards the close of the co-operative year. Due to the same reason, the public prefer to keep their savings in deposits withdrawable on demand instead of fixing them for a stipulated period. But for the abnormal conditions which prevailed owing to the continuance of war, the amounts under all kinds of deposits would have stood much higher.

Total advances of all types including loans due from banks and societies amounting to Rs. 88,17,673 were Rs. 99 lakhs at the close of the year. This figure included purely short-term loans aggregating to Rs. 28 lakhs against agricultural produce, Government securities, etc. This represents an increase of Rs. 7 lakhs over the previous year's figure of such short-term advances. This could be regarded as a feature indicating healthy development. Equally satisfactory is the decline amounting to Rs. 7 lakhs that has taken place under ordinary, long-term and land improvement loans to societies and in outstandings from societies in liquidation. Fresh advances by way of ordinary loans amounted to Rs. 19,12,166 and repayments to Rs. 23,20,227. These repayments could be regarded as satisfactory in view of the unfavourable conditions of crops in several

areas. The total fall in outstandings due from societies is mainly due to the vigorous policy of compounding debts which was actively pursued in the year, especially in the Deccan Canal areas under the personal direction of the Registrar. The repayments in case of societies in liquidation, however, cannot be regarded as satisfactory as more than half the number of societies paid little or nothing during the year. It is, however, hoped that better results would be obtained in the near future in view of the policy now followed in appointing the bank as liquidator of societies which are indebted to it.

The position of the Bank in respect of its liquid assets is satisfactory. As against the deposit liabilities of Rs. 1.85 crores the liquid resources of the Bank amounted to Rs. 1.23 crores.

The profit of the Bank during the year was Rs. 73,727 as against Rs. 1,03,725 of the previous year. The rate of dividend declared this year is  $3\frac{1}{2}$  per cent as against 4 per cent declared last year. A reduction in the rate of dividend was necessitated by smaller profit consequent on conversion of premium securities with a high current yield into discount securities with a lower current yield.

The process of transfer of land mortgage loans to the Bombay Provincial Co-operative Land Mortgage Bank, Limited, and computation of the final losses on account of operations of the Land Mortgage Department of the Bank was not completed during the year. As the loan accounts have now been examined by the authorities of the Land Mortgage Bank, it is expected that the negotiations would be complete during the current year.

**District Central Banks.**—The number of these banks remained unchanged at 11. The paid-up share capital, reserve and other funds and total working capital stood at the end of the year under report at Rs. 27.14, 26.66 and 273.16 lakhs as against Rs. 26.88, 23.82 and 299.34 lakhs of the previous year. It will be noticed that the paid-up share capital, reserve and other funds, the number of individual and society members, record a satisfactory increase. Deposits from individuals fell from Rs. 2.14 crores to Rs. 1.84 crores. On the other hand, there is an increase in the deposits from societies, which mostly represent the surplus in urban societies passed on to the district central banks. The reduction in deposits from individuals is partly due to the fact that the provident funds of the school boards are required to be deposited in Government securities and partly due to the fact that a large part of the amount by which individual deposits decreased represents withdrawals, for investments in purchase of goods or in some business made profitable by the war and for investment in industrial shares and defence loans. The decline in deposits is reflected in a corresponding reduction in the total figure of working capital. Notwithstanding the fall in the figure of deposits, the central banks had plenty of surplus funds. Out of the total working capital aggregating to Rs. 2.73 crores, only Rs. 1.00 crore are on loans with societies. Owing to uncertainties attaching to the agricultural production agricultural credit societies have been passing through difficult times and it is but natural that the central banks have adopted a cautious attitude and conserved their resources as far as possible. While this raises the problem of profitable investment of large unusable surpluses, the position of such surpluses has been a source of strength and credit. Moreover, part of the surplus funds will be useful to the central banks for making crop finance available to agriculturists and for providing the facilities with regard to the marketing of their produce after the Bombay Agricultural Debtors' Relief Act is put into operation.

**Non-Agricultural Credit Societies.**—The year under report witnessed a further increase in the number of societies from 685 to 715. Deposits of all classes fell from Rs. 3,78,68,506 to Rs. 3,65,14,065. Due to reasons already mentioned in paragraph 69 of this report, decline in deposits is naturally reflected in the shrinkage in the figure of total working capital which was Rs. 5,97,49,153 at the close of the year as against Rs. 6,03,14,949 of the previous year. Reserve and other funds, however, showed satisfactory increase. The number of full-fledged urban banks excluding salary-earners' societies with a share capital of Rs. 20,000 and above rose to 54 as against 52 of the last year.

Under Government orders societies which do the business of banking and have a paid-up share capital of more than Rs. 10,000 are permitted to use the word "Bank" up to 30th June 1941. According to this classification, the number of urban banks is 72.

**Salary Earners' Societies.**—Their number rose to 394. Out of a total of Rs. 2,03,74,323, due for repayment, Rs. 1,90,37,998 were repaid leaving Rs. 6,06,866 and Rs. 7,29,459 as authorised and unauthorised arrears respectively. The recoveries from out of the amount due after the close of the year, aggregated to Rs. 9,73,966. These figures are distinctly good and indicate punctual repayment of loans.

**Mill-hands Societies.**—The mill-hands societies operating in the industrial area in Bombay are doing good work. There were 35 societies of this type in 24 mills in Bombay City alone. The Chief Inspector of Factories continued to take keen interest in the affairs of the societies for factory workers. A meeting of the representatives of the factory workmen and their organisations in Bombay was convened and many important problems such as schemes of savings deposits, cheap facilities for housing and medicine for workmen, joint purchase of domestic requirements, etc., were discussed and a committee was appointed to formulate definite proposals. As a result of recommendations of this committee to the Registrar, necessary changes in by-laws of such societies permitting supply of domestic requirements on indent basis, compulsory savings deposits, etc., were permitted and the work of joint supply of domestic requirements was also commenced in societies in E.D. Sassoon Group and Morarji Gokuldas Mills.

**The Bombay Co-operative Insurance Society.**—The figures mentioned in this report represent the business done by the Society during a period of only 6 months ending 31st December 1939. The Society admitted 1,144 new members bringing the total number of members to 7,915 and issued 1,239 policies for a total amount of Rs. 13,07,500 as against Rs. 27,53,000 of the previous year. Out of these policies, 628 were for small sums of Rs. 500 and under for an aggregate amount of Rs. 2,53,800. The total business in force at the close of the year amounted to Rs. 75,55,517, out of which business worth Rs. 3,17,118 has been re-insured. The Life Insurance Fund increased to Rs. 6,08,463, showing an increase of Rs. 81,730. The Society paid claims amounting to Rs. 14,713 leaving outstanding claims amounting to Rs. 23,231. The premium income of the Society amounted to Rs. 2,09,408, which together with income from interest on investments, rent of the buildings, etc.; amounted to Rs. 2,29,802 for a period of 6 months as against Rs. 3,94,627 for the twelve months of the previous year.

**Consumers' Societies.**—The following comparative statement indicates an all round progress in the working of Co-operative Stores during the year under report:—

Year.	Number of Societies.	Number of Members	Working Capital.	Total Sales.	Total purchases.	Cost of management.	Profit.
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
1938-39	25	7,128	2,09,190	5,99,483	5,34,876	53,207	13,544
1939-40	30	8,287	2,19,389	6,06,151	5,00,752	58,162	17,890

Though development of the consumer's movement has been comparatively very limited, and mainly confined to salary-earners, the societies have been working well on the whole. Moreover 4 out of the 5 new societies registered during the year were not for salary-earners.

**The Bombay Provincial Co-operative Institute.**—The question of the revision of the Constitution and functions of the Institute was receiving the attention of Government, the Registrar and the Institute throughout the year, but it was not possible to arrive at a final decision.

The financial position of the Institute continued to be unsatisfactory. As regards the mortgage of building, an agreement was reached between the Institute and the Bombay Provincial Co-operative Bank in accordance with which the building was handed over to the bank, but with a view to maintaining its memorial character the Institute was allowed to retain the possession of the third floor on condition of paying Rs. 20,000 in cash to the bank.

**Co-operative Training.**—In view of the urgent necessity of imparting training in co-operation to rural development staff, preference was given to it while deputing departmental employees for training under the scheme. The first two batches consisted, therefore, exclusively of Rural Development Inspectors and Assistant Rural Development Inspectors. As the requirements of this staff in regard to education in co-operation were different from the staff which had already seen and worked with co-operative societies, the syllabus for training drawn up in the case of Auditors, Sub-Auditors, etc., was suitably modified. A course of theoretical and practical training in land valuation was also given to this staff with a view to have sufficient trained men in reserve for the posts of land valuation officers for the various land mortgage banks in the Province.

**Conclusion.**—The working of the co-operative societies during the year under review was generally on the lines which could very well be expected. Co-operation is a system of organization which in its working must reflect the merits and



the weaknesses of the component parts. If the members of a co-operative society are mostly illiterate, earn less than they spend, and do not realize their obligations towards the organization (as is unfortunately the case with a number of agriculturists), the society cannot possibly be a great success. Where, however, the members have a surplus after meeting their expenditure, take an intelligent interest in the working of the society, and are prompt in meeting their obligations, the system is normally successful. In this Province, it was noticed that the vast majority of salary-earners' societies and urban banks and many non-credit societies worked very satisfactorily. They have caused no serious problem for the Department and satisfied many pressing needs of their members.

In case of agricultural credit societies, where only a small minority of members is educated and where the annual income of members is not always more than their minimum expenditure, the position was not so satisfactory. But even in the working of these societies, many encouraging features were noticed during the year. The Department has been making strenuous efforts for several years past to rehabilitate the working of these societies, but many powerful influences, especially the slump in prices of agricultural produce which has persisted with a few bright intervals during the last ten years or so, made any real improvement extremely difficult. During the year under review, however, better prices for these goods prevailed for some time, and so, the departmental efforts to improve the position of these societies met with more than usual success. It has been, therefore, possible to reduce the total of loan outstanding with these societies by nearly 15 lakhs and to reduce the figure of overdues by 10 lakhs, as compared with the previous year.

## **CO-OPERATIVE CONFERENCES AND MEETINGS**

### **THE XXVIII MYSORE PROVINCIAL CO-OPERATIVE CONFERENCE, MYSORE, 28TH SEPTEMBER, 1941.**

**Extracts from the Welcome speech of Lokasevasakta Mr. C. S. Kuppuswami Iyengar, President, Mysore Co-operative Institute.**

At the close of the year 1940-41, there were 1956 Co-operative Societies with a membership of 1.45 lakhs and a paid up share capital of Rs. 54 lakhs as against 1895 Societies with 1,43,000 members and a paid up capital of Rs. 53.12 lakhs. The total working capital rose from Rs. 2.64 crores to Rs. 2.65 crores, the Reserve and other funds from Rs. 48.16 lakhs to Rs. 48.50 lakhs, the total turnover from Rs. 9.40 crores to Rs. 10 crores and the net profits from Rs. 3.9 lakhs to Rs. 4.1 lakhs.

During the year, the Land Mortgage Scheme was extended to nine more taluks. At the close of the year, there were 52 land mortgage societies operating in 50 taluks, 2 sub-taluks and portions of 3 taluks with a membership of 7000 and a share capital of Rs. 1.40 lakhs. The Central Land Mortgage Bank had 206 members (of whom 126 were individuals, 31 ordinary societies and 49 land mortgage societies) and a paid up share capital of Rs. 1,24,550. The total amount of debentures issued by the Bank was Rs. 13 lakhs, while the loans granted by it amounted to Rs. 16,48,295 in 1497 cases. The actual amounts disbursed at the end of the year were Rs. 15,41,421 in 1381 cases. The Bank earned a net profit of Rs. 22,695. The Government were pleased to sanction during the year the floating of a sixth series of debentures of Rs. 5 lakhs at 3½ per cent interest.

The Mysore Provincial Co-operative Apex Bank which is the chief agency in the State for the provision of short-term and intermediate credit to primary societies continued to show a steady improvement during the year. The membership of the Bank rose from 1252 (of whom 189 were individuals) to 1254 (of whom 180 were individuals), the paid up share capital from Rs. 2,49,000 to Rs. 2,51,500, the deposits from Rs. 23.21 lakhs to Rs. 24.18 lakhs, the Reserve and other funds from Rs. 3,07,000 to Rs. 3,31,500, and the net profits from Rs. 34,312 to Rs. 41,094. The Bank granted loans to the extent of Rs. 2.47 lakhs in 98 cases and the percentage of overdue to the total outstanding was 75.71 as against 77.15 on 30th June 1940. The concessions which the Bank had offered to the indebted societies were continued during the year.

The Mysore Co-operative Institute held Co-operative Training Classes at Bangalore and Shimoga for the benefit of office-bearers and employees of Co-operative Societies and others. The course lasted for three months from January to April 1941. 61 students joined the classes and in the examination held at the end of the course 15 students were declared successful. The Institute has proposed to form a Co-operative Library and has approached the Registrar for a liberal grant. I trust that the Government and the Registrar will be pleased to accede to our request.

As you are all aware, the Institute is the principal non-official agency for Co-operative education and propaganda. The lack of education in the principles of Co-operation among the people has been one of the principal causes for stagnation in the Movement. Unless intensive propaganda is made on a countrywide scale, it is hardly possible to ensure the development of the Movement on sound lines.

I am sure you are all glad that the Government have been pleased to accede to the request of this Conference and constituted a Standing Advisory Committee of Co-operators. Such a Committee will, I trust, be of special help in bringing the official and non-official representatives of the Movement into closer touch and co-operation.

**Extracts from the speech delivered by Rajasevaprakashta A. V. Ramanathan, Minister for Law, who presided over the Conference.**

After stating that with the recent rise in prices of primary commodities, it is our hope that the current year will enable the rural societies to show better results in the repayment of their dues to the financing banks, the President proceeded to give an account of the working of the societies and the nature and extent of the help given to the movement by the government. Then he answered in the negative the question whether the efforts of the government alone are and will be adequate to cover the wide field of co-operation.

The Registrar and his Department investigate whether a community is suitable for a society, register it, instruct the Committee how to work on correct lines, secure loans from the financing banks after investigation, collect dues, prevent malpractices, correct defects, investigate cases and adjudicate defaults, order dissolution of societies and undertake liquidation. These diverse functions have only to be enumerated to demonstrate their incompatibility in a single agency.

Doubtless somebody or other has to do all this. But, is a Government Department the proper agency to discharge some or several of these functions? Is not the member of the society responsible for many of them? To me it looks as if this attempt to secure the development of Co-operation through all-powerful Department is like seeking to promote Democracy by totalitarian methods. Departmentalism kills initiative and enthusiasm. Growth is possible only in an atmosphere of liberty and freedom. Criticism, there must be; but as much of it as possible should be from within. Criticism without responsibility is as barren of results when a Government Department is the critic as it is when a Government is the subject of criticism. Publicity, mutual understanding, close knowledge and frequent meetings alone can restore the conditions for healthy growth. Co-operation, to my mind, is a way of life; nay, *it is the way of life*. The field of Co-operation is co-extensive with the needs of the entire population. It cannot be covered except by the united efforts of all who can feel, think and act. Every member must do his duty by his society. He must give it personal service. He must give it information. He must meet his commitments regularly. He must help others in the solution of their difficulties.

Here I may quote to you a resolution of the Joint session of the Standing Committee of the Indian Provincial Co-operative Banks Association and the All-India Co-operative Institutes Association held in Bombay on the 18th January this year:—

(a) This meeting is of opinion that the time has now come to give a new orientation to the Co-operative Movement by the Provincial Co-operative Organisations.

and the Provincial and State Governments by launching a comprehensive plan for the simultaneous pursuit of a scheme for the revival or resuscitation of existing societies and the expansion of the movement, both intensively and extensively, with the following aims:—

(i) to replace as far as possible individual money lending by credit dispensed by co-operative societies whose scope and utility should be widened so as to be able to effectively assist the agriculturists for production, movement and marketing of crops and other allied activities;

(ii) to bring every village as soon as possible within the sphere of operations of a primary co-operative society; and

(iii) to enlist as rapidly as possible all residents of a village as members of their society.

(b) This meeting suggests the following measures in order to bring about a widespread diffusion of co-operative activities in the country-side:—

(i) The amalgamation of such existing societies as are unable to work individually and can be conveniently grouped into larger units.

(ii) The formation of new societies comprising groups of compact adjacent villages with such form of liability as local co-operative opinion and conditions may favour.

**Note.**—Societies reorganised and expanded on these lines will have sufficient income to enable them to build up reserves and appoint paid staff. They will then be able to achieve the triple objects of "Better Farming, Better Business and Better Living."

In the agenda placed before that session, another significant and important principle was suggested. Though it is not found in the resolutions as passed, it is worth re-stating it here as, in my opinion, it strikes the basic note of the co-operative key.

"While rehabilitating the co-operative movement all possible efforts should be made not to eliminate any member of the primary societies."

This is the spirit which should actuate every co-operator. We must aim at securing the ideal set out in that resolution. In this task, the triple spearhead, the trident, *Trisula*, in the hands of my friend Mr. Kuppuswami Iyengar should lead the way. Luckily we have statutory panchayets in every village. The panchayet and the co-operative society should work hand in hand. The Co-operative Propagandist Institute has to be built from below. Conferences should be re-oriented. They should be organised from the taluk and town upwards by local branches of the Institute. Organisation of co-operators territorially and functionally, is necessary. Reports of individual difficulties, handicaps and even failures must be read and discussed by those who run societies and handle similar problems. Reports of successful methods should be read and discussed so that those who have not succeeded may learn wherein they failed. The anxiety should be to locate difficulties and to help in surmounting them. Investigation, inspection and audit must be by selected co-operators. Permanent classes should be held in all districts to train Co-operators as well as Inspectors in Government service.

The goal, so far as the villager is concerned, is wholesale liquidation of debts. Debt Conciliation and Land Mortgage Banks must work hand in hand. There are 16,500 villages in the State. The rural societies number barely 1,400. The total agricultural indebtedness is estimated at 30 crores of rupees. The Land Mortgage Banks have so far granted 15 lakhs of rupees, barely 5 per cent of the total indebtedness. We want 200 times this effort. The State may help in scaling down debts, in facilitating a rural insolvency procedure for recourse in hopeless cases and in finding the money required to liquidate the debts promptly on settlement. But it is the members who should shoulder the burden of work. Everyone should be set on his feet again. Sustained efforts at amelioration by the better informed individuals are necessary. Preventive and curative agencies should be provided by the movement itself. Rural life must be made interesting. Cultured young men should be attracted to the village. An honorary corps of rural guides should be created. It should not become a Government Department. It should derive sustenance from the village and sustain the village.

In pre-British India, culture was planted in the village by the grant of tax-free lands and by assignment of taxes on condition of local residence. Culture is contagious. It is spontaneous in its contagion. A lamp sheds its light around it. It is its very nature. A graduate who has done social service, who has worked in the University settlement, who has enthusiastically conducted the adult literacy campaign, run his college hostel or union, can, by his very residence in a village, transform its social life. And if he has had practical training in a co-operative society or a rural development centre, he will be an even more potent centre of radiation. The problem is now to plant him in the village. Let every Village Panchayet, let every Co-operative Society attract a graduate of the same village or of that neighbourhood and pay him to live in the village. Let Government give grants to the Panchayet or to the Society to enable it to pay him. Let Government reduce its staff to the minimum necessary for control. Let as much as possible of the Rs. 84 per society be given to each society. Let the cost of a village school or a village dispensary be paid to the Panchayet or Society and let it employ a rural guide and make him teacher or doctor. In these and diverse other ways, let cultured young men or elders be attracted to the village. Make them dependent on local goodwill. Avoid the stamp of a Government official. For, once you dub him a Government servant, he gets into the tentacles of service registers, acquittance rolls, monthly returns and transfer petitions.

Encourage frequent public meetings of co-operators. Make the workers discuss in public. Let the individuals who lapse into unco-operative ways be discussed and be helped. Encourage them to seek the help of the rural guide, even as in the olden days every man in his affliction would turn to the Purohit, the Yejaman or the Buddhivanta of his village.

All I have said about the villager applies equally to the townsman in his sphere. The artisan, the consumer, the labourer,—all need similar organisation and similar help. They have similar duties to one another and to the public. Darkness, drink, debt, dirt and disease, are the enemies of man in village or town. They kill him,—some directly, other insidiously. By spreading co-operation to embrace all fields of human activity, these devils were overcome in the past. They can be overcome again. We have lost the old methods of co-operative endeavour. We have not perfected new methods.

The following resolutions were passed at the conference:—

1. That at least Urban Co-operative Societies be permitted to appoint and fix the remuneration of their auditors from among the panel of auditors to be maintained by the Registrar, the audit fees being paid to them with the approval of the Registrar.
2. That at least two-thirds of the members of the Co-operative Advisory Committee be elected by the Mysore Provincial Co-operative Conference, after the term of the present Committee expires.
3. That as it is necessary to carry on intensive co-operative propaganda in rural areas, this Conference requests the Government to revive the system of Honorary Supervisors and Honorary Organisers.
4. That in order to improve the economic condition of the rural population through Co-operation still further, this Conference recommends to the Government.
  - (i) That an economic survey be carried out forthwith throughout the country-side under the auspices of the Village Panchayets;
  - (ii) That the functions and activities of Village Panchayets and Co-operative Societies be co-ordinated; and
  - (iii) That as a means to the above end the system of Village Banks or Multiple Purposes Co-operative Societies, advocated by the Reserve Bank, be introduced into as many villages as possible.
5. That the Government be requested to combine the Training Classes for Inspectors which are directed to be conducted by the Registrar with the Training Classes which are being conducted by the Mysore Co-operative Institutes as a regular feature of its activities for the past seven years.
6. That the Government be requested to arrange for the compilation of all the Circulars issued from time to time by the Registrar in book form and for the supply of copies of the same to all Co-operative Societies free of cost.
7. That the following be added at the end of the first paragraph of Rule 6 (b) under the Mysore Co-operative Societies Act:

“And that no person shall serve on any Committee of Management either as President or Director for more than three years consecutively.”
8. That the Government be requested to expedite the starting of Debt Conciliation Boards in all the places to which the Land Mortgage Scheme has been extended.
9. That the Government be requested to finance the Central Financing Banks at such low rates of interest as would permit the latter to lend the primary Societies, marketing agricultural produce, at such rate of interest as would enable them to advance to the producers at rates not exceeding the rate charged by the capitalistic banking agencies on similar transactions, having also in view the margin which the two classes of Societies will have to keep between their borrowing and lending rates to meet their working expenses.
10. That the Government be requested to make provision for refund of half the institution fees in all co-operative disputes disposed of by the Departmental Officers or the Arbitrators without contest.

11. That the Government be requested to exempt all Co-operative Societies from the operation of Section 60 of the Civil Procedure Code as amended by Act XIII of 1938 and Act XXI of 1941 and provide as before for the attachment of salaries above Rs. 20 per mensem.

12. That the Government be requested to make provision for the attachment of salaries or wages of the employees of the Mysore State Railway, the Bank of Mysore and other Joint Stock Banks.

13. That the Government be requested to direct the Revenue Authorities to give to the respective Co-operative Societies full details of the decrees returned unexecuted immediately on such return so that the Societies might be enabled to take suitable further action without undue delay.

14. That the Government be requested to increase the fee payable per dispute to the Arbitrators as incidental expenses from annas four to atleast annas eight.

### THE XXIV MADRAS PROVINCIAL CO-OPERATIVE CONFERENCE 11TH AND 12TH OCTOBER, 1941.

#### Summary of the Proceedings.

The Conference was held in the Rasika Ranjani Sabha Hall, Mylapore, Madras, on the 11th and 12th October 1941.

There was a large attendance of delegates, the total number that attended being 426 of which 227 came from the Telugu districts and 199 from the other districts in the province. Of the 227 delegates from the Telugu districts, 180 were from Northern Circars and of the 199 from the other districts, 64 were from Madras and Coimbatore districts. Delegates of non-credit societies numbered 92 of whom 63 came from the Telugu districts, particularly the Northern Circars, wherefrom 54 came and the rest from the other districts; of these 92 delegates 75 represented Loan and Sale Societies, Consumers' Stores and Weavers' Societies. The local supervising unions were represented by 95 delegates of whom 54 came from the Telugu districts and the rest from other districts; of the 54 that came from the Telugu districts, 47 were from the Northern Circars. The rest represented the Provincial Societies and Credit Institutions. The Provincial Societies were represented by 21, Central Banks by 75, Urban Banks by 91 and Land Mortgage Banks by 41 delegates.

The official attendance was also large. The Registrar of Co-operative Societies, Joint Registrar, Personal Assistant to the Registrar and the Deputy Registrars from the Northern Circars, that is to say, Rajamundry (East and West Godavary districts), Kistna, Guntur, Nellore (Nellore and Chittoor districts), South Arcot, Coimbatore and Madras besides a number of inspectors were present as visitors.

The Welcome Address was delivered by Mr. T. A. Ramalingam Chettiar, President, The Madras Provincial Co-operative Union. Then Prof. V. G. Kale of Poona opened the Conference with his Inaugural Address. Dr. B. V. Narayanaswamy Naidu then delivered his Presidential Address.

Immediately after the President concluded his address, a motion to discuss the remarks made by Mr. Ramalingam Chettiar in his welcome address regarding offi-

cial interference, was moved. The motion was ruled as being out of order at that stage. The Conference was adjourned after some discussion without transacting any further business for the day, till 12-30 p.m. on the 12th. No subjects committee was constituted to consider the draft resolutions.

The Conference reassembled on the 12th at scheduled time when the Secretary read messages of good wishes for the success of the Conference received from, among others, The Registrars of Co-operation, with the Governments of the Punjab, the Central Provinces, Bihar, Orissa and Bombay, Dewan Bahadur S. Aravamudan Iyengar, Hyderabad, The Director of Co-operation, Kuala Lumpur, F.M.S.

The following resolution touching the demise of the late Mr. V. Venkatasubbaiya was passed unanimously:

1. This Conference resolves to place on record its sense of loss at the death of Mr. Venkatasubbaiya and requests the President to convey its sympathy to the members of the bereaved family.

Then the following resolution was moved:

2. *This Conference emphatically and completely dissociates itself from the views regarding the Co-operative Department, expressed by Mr. T. A. Ramalingam Chettiar in his Welcome Address at the Conference as President of the Provincial Co-operative Union.*

Some amendments to the above resolution were moved: but the amendment that mainly occupied the attention of the house was to the following effect: "Expunge from the proceedings paragraphs 2, 3 and 4 of Mr. Ramalingam Chettiar's address, containing his views on official interference and place on record its appreciation of the policy of the Government in the Co-operative Department in regard to purifying the movement." After some discussion the first portion of the amendment was dropped and the second part was ruled out of order. During the course of discussion there was certain amount of confusion and unpleasant scenes occurred. Before putting the resolution to vote, the President read out to the Conference the following letter addressed to him by Mr. Ramalingam Chettiar, who had to leave for Delhi on other public duty.

"As I have to leave Madras this morning for Delhi as previously arranged I am sorry I will not be able to attend the Conference to-day. The adjournment of the Conference yesterday has deprived me of the opportunity to be present at the Conference when my speech will be discussed. You know it was at the instance of the Registrar, Joint Registrar and some of their supporters that the Conference was adjourned yesterday. The fact that a large number of Deputy Registrars have been got down for the Conference and an unusually large number of delegates have come from some of the districts from which these Deputy Registrars have come, show the interest taken by the Department in the Conference. I request you to state, in case the statements in my speech are referred to at the Conference or the subjects committee, that the views expressed were my personal views and that I am prepared to prove everyone of the facts mentioned in my speech."

A vote was taken on the resolution and was declared to have been carried by a large majority, considerable number of delegates, however, remaining neutral. The Conference then adjourned for lunch.



At the post-lunch session which lasted for about a couple of hours the following resolutions were passed. The attendance during the post-lunch session was thinner.

1. This Conference requests the Government to publish their decisions on the recommendations of the Committee on Co-operation at once to enable co-operators to express their views for their consideration before action is proposed either by amendments to Rules or the Act itself and the Conference is of opinion that piece-meal action is neither desirable nor advantageous to the Movement.

2. This Conference strongly reiterates the recommendation of the Committee on Co-operation regarding Land Mortgage Banks in dry areas and requests Government to pass early orders accepting the same.

3. In view of the recent decisions of the High Court on certain provisions of the Madras Debt Conciliation Act, this Conference is of opinion that the Act should be suitably amended carrying out the suggestions of the Honourable Judges of the High Court and of the Committee on Co-operation. This Conference feels that provision for compulsory conciliation of debts, application of principles of the Agricultural Debt Relief Act for scaling down debts and rural insolvency should be incorporated in such an amending Act.

4. In view of the special circumstances of the scheduled classes and the imperative need to promote their social and economic uplift, this Conference supports strongly the recommendations of the Committee on Co-operation that Government must undertake the financing of the societies for these classes as otherwise the Central Banks may not be able to meet their necessities.

5. This Conference strongly supports the recommendations of the Committee on Co-operation that Government should formulate a comprehensive policy and concert measures for the educational, social and economic improvement of the aboriginal and hill tribes by appointing special welfare officers to work under the Labour Department.

6. This Conference supports strongly the recommendations of the Committee on Co-operation regarding Audit specially those dealing with scale of Audit Fees, exemption from Audit Fees etc.

7. Resolved to request the Government to grant loans and subsidy to the Central Wholesale Stores to put up godowns, as in the case of Sale Societies.

8. This Conference resolves to request the Registrar of Co-operative Societies to encourage the policy of organising house mortgage banks on the lines of the land mortgage banks at all convenient centres all over the province.

9. This Conference expresses its deep sympathy for the famine-stricken handloom weavers of Yemmiganur and other places of South India and requests the Government to start relief works in centres like Yemmiganur, Chirala etc., where majority of handloom weavers are thrown out of employment and are in starving state on account of the present soaring prices of yarn, dyes and chemicals, to provide employment to the weavers by engaging them to produce fabric such as bandage cloth, duster cloth etc., (clothes mainly of plain weave with coarse and medium counts of yarn) required by the Government in large quantities on account of the War.

10. In view of the abnormal prices of the yarn due to War and middlemen's profiteering and consequent unemployment of thousands of weavers all over the country, this Conference urges the Government to immediately control the prices of yarn and effectively check the middlemen's profiteering and save the starving handloom weavers from utter destruction.

11. This Conference also resolves to request the Government to start a Spinning Mill on co-operative basis to supply yarn to the handloom weavers at reasonable rates. This Conference is of opinion that for this purpose, the Government can easily find funds if they allocate portion of the income derived through import duties on yarn or cloth or through the issue of licenses to merchants dealing in mill cloth or through the levy of excise duty on mill cloth.

12. This Conference requests the Government to grant sites free of cost for constructing buildings for the big Urban Banks wherever they are available, since they are also considered as quasi-government bodies

13. In view of the fact that public servants in all localities are not served by Public Servants' Societies and that all societies especially Urban Banks have already lent moneys to such public servants, this Conference earnestly requests the Government to issue a ruling that the G. O. No. 2528 Dev., dated 31-10-1940 applies to all co-operative societies instead of Public Servants' Co-operative Societies only wherever there are not Public Servants' Societies available.

14. This Conference requests the Government to give preference to non-official co-operative employees in the matter of recruitment to Government services.

15. This Conference resolves that primary societies be made the medium of lending produce loans wherever this is not done.

16. This Conference resolves that on account of the great difficulties which the societies have to encounter in connection with the preparation of property statement—a very important record in unlimited liability societies—the Board of Revenue be requested to direct karnams to furnish certified copies of Account No. 10-1 of the members of societies to the societies then and there on requisition from the Secretaries of concerned societies.

17. While reiterating the recommendation made by the Co-operative Enquiry Committee regarding the reduction of interest on old loans issued to Building Societies by Government prior to 1935 and that the interest should be 4½ per cent., this Conference requests the Government to amend the provisions of the Act in conformity with the said recommendations made by the Committee.

18. This Conference viewing with grave concern the present plight of the Supervising Unions resolves that the Unions be reorganised so as to ensure efficient working.

19. Resolved that the Government be requested to adopt a liberal policy in the matter of lending the services of the employees in the Department to serve in Co-operative Institutions when such Institutions request for such deputation.

20. This Conference requests the Government that the rule proposed to be enacted—limiting the period of the loans by the Central Banks and Credit Societies to 3 years should not be passed in view of the fact that the transaction of Co-operative Institutions will be considerably affected by this and that the Land Mortgage Banks are not able to meet all ryots' requirements.

21. This Conference resolves to request the Central Government to continue the present subvention scheme for the protection of the handloom weavers which will cease by March 1942 for five years more to come granting an annual grant of Rs. 10 lakhs per year.

22. This Conference resolves to request the Registrar of Co-operative Societies, Madras to move the Government in exercise of their rule making power to amend the rule XIV (3) 1. adding after 'area' in the beginning of second sentence 'of the Financing Banks' which would facilitate the starting and working of Non-Credit Societies with the aid of such funds.

23. Resolved to request the Government to allot a reasonable portion of rebate accumulated from groundnut sales of last year for distribution to Loan and Sale Societies through the Registrar of Co-operative Societies, for subsidy for sales of last year and for propaganda and equipment in groundnut marketing.

24. This Conference resolves to request the Registrar of co-operative Societies, Madras, that in view of the novel nature of work of Milk Supply Societies, the initial difficulties such as, the large quantity of surplus milk, unsteady supply, lack of facilities for credit sales, want of potential and regular customers at the start, the establishment charges, the difficulties resulting from the unhealthy and cut-throat competition with private contractors, levy of Sales Tax, Profession Tax, License Fees, etc., the very small margin of profits and the inevitable long duration of audit on account of multiplicity of accounts, to exempt the Milk Supply Societies from the levy of Audit Fees, if the Societies could ill-afford to pay out of their net-profits for the first five years from starting and the rules theretofore may be suitably amended if necessary.

25. This Conference resolves to request the Registrar of Co-operative Societies, Madras, to move the Government that G. O. No. 3528 dated the 28th September, 1939, Education and Public Health Department, be strictly enforced directing the consuming departments to accept the tender of Milk Supply Societies as against private contractors.

#### ADDRESSES DELIVERED AT THE 24TH MADRAS PROVINCIAL CO-OPERATIVE CONFERENCE

Welcome address delivered by Sri T. A. Ramalingam Chettiar, B.A., B.L., M.L.C., President of the Provincial Co-operative Union.

We are meeting at a time of great strain and unprecedented happenings in the world's history. The great war that is going on has no parallel in the history of the world. It is extending to envelop the whole world. The destruction it causes is terrible to imagine. There does not seem to be any hope for the peoples of the world except in a decided victory for the Allies. India is now in greater danger than ever and the scene of operations will be much nearer before the winter is over. While we are anxious, it is a pity that the British Government should not think of enlisting the support of the whole of India, both morally and materially. The recent pronouncements of responsible British statesmen have caused very serious apprehensions even in the minds of moderate politicians. I will appeal to the British statesmen along with all thinking Indians that they may take a more practical and realistic view of things and ensure the support of all sections of Indians by granting the reasonable request of political India.

The Government of the country continues in the hands of the Advisers in the major part of India and the want of popular Government is felt more keenly as time advances. While I have no doubt that the Advisers are actuated by the best of motive to do what they think best for the country, they have been trained in bureaucracy and their views are naturally tinged by the bureaucratic spirit which does not believe in democracy and self-help. The Advisers are there only to fill the gap and it is not fair or just that they should, except when necessary, make changes which have far-reaching results. Unfortunately, in the co-operative field, the Government have, it seems, started to re-shape everything according to their ideas. In Madras, the co-operative movement has been nurtured by the Registrars and non-official gentlemen who believed in self-help and voluntary organisation. If the Movement has shown any vitality and any practical results in this province, it cannot be denied that it is mainly due to the initiative and self-sacrificing work of the non-officials in the movement. It is no doubt true that non-officials with the same spirit are not coming into the Movement in as large numbers as is necessary in recent times. But that is no justification for what the Government are doing at present by the framing of rules under the Co-operative Societies Act, which may or may not be within the powers vested in them under the Act, to direct and control the Movement through the Department. *The tendency seems to be to get the control of the Movement directly or indirectly into the hands of the Department and make it impossible for self-respecting co-operators to join the Movement and take part in its working as hitherto.* The draft rules published regarding the nature and terms of the loans to be given, the constitution of the committees of financing banks and the proposal to make the Registrar ex-officio member of the Executive Committee and the Board of Management of the Provincial Bank, all point in the same direction. Long standing differences of opinion are sought to be settled by a stroke of the pen. While I have been always in favour of the officials and non-officials in the Movement working together in a friendly spirit, I never thought that *the Government will utilise the powers vested in them accidentally by the breakdown of the Constitution, to give a blow to the Movement in this province which will take probably a decade to recover.* I will appeal to the Adviser to the Governor of Madras who was once Registrar of Co-operative Societies, not to be carried away by the temptation to use his present powers to impose on the Movement his own views nor be a victim in the hands of departmental officers *who try to manufacture opinion to suit the fancies of the Adviser or themselves.*

The workers in the Movement are very much disturbed and they ask the question what they should do. A Committee appointed by the late Government has submitted a report. But the recommendations of the Committee are given the go-by even when they are unanimous. The enquiry of the Committee was exhaustive, but still new proposals, which were not even placed before the Committee, are taken up and pushed through. It seems to be a matter of accepting recommendations only when they coincide with the views of the Department and overriding them unceremoniously when they do not. Open participation in the elections by officials is no longer a strange phenomenon. *The officials are said to have been interesting themselves in the election of delegates to conferences. Are the workers to continue in their places in spite of the strain and even humiliation all this may involve, or to leave the Movement now and return if necessary when times change?* This is the question I have heard, asked in several places. I will appeal to the Adviser not to allow this state of affairs to continue and ruin the Movement as a popular democratic organisation in the province during the time he may be in power.

I am sorry I have sounded not a very cheerful tune. But I will not be doing justice either to myself or to the Movement if I do not give expression to what I feel. It is for you to consider how best you can save the situation. It is a matter of gratification to me that such a robust co-operator as Mr. Kale has agreed to come here to open the Conference. He needs no introduction to a co-operative audience. We have for our President this year a young and enthusiastic co-operator who is an economist of growing reputation. I have no doubt that the Conference will gain by his wide knowledge and learning.

**Extracts from the Inaugural address delivered by Prof. V. G. Kale, M.A.**

Co-operative activities being business dealings, have to be designed and carried on as business propositions and their profitableness that is to say, the measure of economic and social advantage as compared with disadvantage, must be tested at every turn. Financing agencies, for instance, are interested in the prompt and regular recovery of their loans to societies. But in how many cases has a careful investigation been made into the conditions in which monies are borrowed and utilised and the manner in which co-operative credit has operated on the cultivators' business, their incomes and their standard of living? Illustrations may be multiplied to indicate what a large field there is needing exploration and investigation. The adoption of intelligent and correct policies is impossible in the absence of accurate information regarding the advantageousness or otherwise of co-operative practices followed in the different sections of the Movement, and the only result is drift and disappointment. Provisions of the Co-operative Societies Acts, by-laws and circulars of the Registrar are all useful so far as they go. But one has to go behind all these if one wishes to assess the utility and effectiveness of prevailing practices and to improve existing co-operative methods.

I am glad to find that the plea I have put forward above, has been supported by your Registrar in connection with the need to study the constantly changing conditions of the market to make co-operative sale successful. In his latest report he expresses regret that the need to study the market is not yet sufficiently appreciated by co-operators engaged in buying and selling." In the light of experience in other countries, he strongly feels the need for more organised research and for a small statistical staff to do it and it is pleasing to be told that there is "agreement in this respect not only in the Department but also in the Banks and the Universities." Apart from the work that will be done in the Universities, the representative apex institution in the province appears to be the appropriate body which should make it one of its regular duties to organise research in the problems relating to the working of institutions affiliated to it. Unfortunately, the position of the Unions or Institutes in some provinces has become anomalous, uncertain and helpless to render solid service and the earlier the situation is improved, the better.

The plea for research and expert examination of developments outside and inside the Movement with a view to the insurance of safety and promotion of progress in co-operative institutions, has been very strongly reinforced by the effects which the agrarian reforms, legislative and otherwise, introduced by many Provincial Governments in India are calculated to produce upon the constitution and activities of co-operative institutions. Legislation intended to relieve agricultural indebtedness passed in various provinces and providing, among other things, for the cutting down of interest rates and the scaling down of debts to the

level of the repaying capacity of debtors, are indeed drastic remedies for chronic ailments. Measures of this character, intended to ameliorate the sad plight of the large mass of the peasantry, are welcome to co-operators that they have to see to it that credit societies and banks which are based on the principles of mutual service and self-help and are meant for the benefit of agriculturists, are not adversely affected and are not robbed of their capacity to do good. In Bombay, for instance, it has been a difficult matter to forecast, assess and provide for the losses that may be entailed upon primary societies and financing agencies as a result of the operation of the Agriculturist Debtors' Relief Act and the representations of these institutions that steps ought to be taken to see that their working and stability are not jeopardised by the relief legislation, have been sympathetically received and appreciated by the Provincial Government, an assurance being conveyed that necessary action would be taken in the matter. Rates of interest charged to borrowers by agricultural credit institutions in Madras, furnish an apt illustration of the type of questions I have been discussing. In his latest report, your Registrar points out that these rates are being kept down to the level imposed on other lenders of money by the Agriculturists' Relief Act and consequently the margin between the borrowing and lending rates has become too narrow for the safe working of the credit institutions. He observes: "Money-lenders are said to be refusing to lend at  $6\frac{1}{4}$  per cent and it is for the consideration of Government whether the rate fixed under the Act should not be a little higher. Co-operative institutions and money-lenders alike have to cover their risks and costs of supervision." The adjustment of lending and borrowing rates to changes in the money market conditions, is a matter which every banker has systematically to tackle, and co-operative credit institutions cannot afford to neglect it. The Registrar's remarks on the subject are, therefore, quite appropriate and ought to appeal to every practical-minded co-operator.

This discussion leads me to the question of securing the basic economic and ethical principles of co-operative organisation. It should be borne in mind that co-operative organisation is one sector of national economy that has to live and work by the side of other economic sectors, such as individual, joint stock and State enterprises, which are bound to exercise appreciable influence on it. The Movement must, therefore, possess sufficient power of adjustment and elasticity to enable it to function successfully under external influences of all kinds, while standing true to its ideals and fundamental principles. As the late Prof. Charles Gide, the eminent French economist and ardent co-operator, has observed, "of all efforts made to solve the social problem, co-operative organisation has proved the most successful." The Movement, it is instructive to note, has grown and prospered in all countries, in the West and in the East, under all forms of government. Freedom of human personality and equality are the two main pillars of the co-operative structure, and the Movement reconciles two apparently conflicting objects viz., the material interest of the individual and the good of the community, and further, it harmoniously combines economic benefit with ethical obligation. In the totalitarian States of Europe, the two pillars of the co-operative structure have been smashed and individual freedom and personality have been smothered under the brutal weight of dictatorship. In those countries, co-operative institutions have been swept into the orbits of authority exercised by State-appointed dictators. For co-operators who are true to their ideal and who look upon co-operation as "organised freedom," this is an intolerable development and they will insist that in the new

world order which will be created after the war, respect for the principles for which they stand, will be ensured beyond doubt.

The fact that the Movement was initiated and fostered in its early stages by Government, need not prevent the establishment of satisfactory relations between officials of the Department and non-official workers. The two form part of the same co-operative sector of national economy and it should not be difficult for them to act harmoniously together. After all, is it not the goal of departmental policy to reduce official control to the minimum required by the provisions of the Co-operative Acts and to see that societies are able to look after their own affairs without the intrusion of outside authority? Complaints are often heard about needless official interference and control and about attempts to dictate policies to institutions. In his latest report your Registrar refers to this subject and says:—*“Though some critics, including a few who have access to the facts but do not care to study them, have accused the department of trying to officialise the Movement, our policy remains the same as before—to help, to guide, where necessary to admonish, and only in the last resort to exercise the powers conferred by the Act for the protection of the public and the saving of societies.” This is very neatly put, but things do not often work themselves out in that way. It would be fair, I think to state that as non-officials are apt to commit mistakes, those whose business it is to exercise authority over others, may also err in feeling that they are always in the right and that their decisions must be followed without question.* Officers of the Department will lose nothing and will gain much if before taking decisions on matters of policy and questions involving difference of opinion, they consult and take into their confidence representative and responsible non-officials. Machinery may be easily devised for such collaboration. The Provincial Union was, I believe, originally intended to play a role of this character. But unfortunately these apex bodies are not to-day performing functions which ought to fall within their purview and it is high time they were reorganised and entrusted with appropriate duties. The co-operative organisation must be endowed with democracy and self-government and it is up to co-operative leaders themselves so to unify and co-ordinate their societies and banks as to be able effectively to make their voice heard and their strength felt. Though I have no more pleasing tale to tell about the position and activities of the Bombay Provincial Co-operative Institute, I can point with a sense of satisfaction to the work of the Bombay Co-operative Banks' Association, which consists of representatives of the Provincial Bank and Central and Urban banks and which deals with problems of policy affecting these bodies. The Association was started and organised with the approval and co-operation of the Registrar who regularly consults it on all important questions. I believe the Association is working to the mutual advantage of the banks and the Department. If apex institutions like this, led by influential and responsible people and functioning efficiently, could be federated together, the provincial organisation thus constituted would be a powerful instrument for solid co-operative services of a varied character. The Department would be relieved of much of the heavy burden of its responsibilities if these are transferred to the provincial organisation of the type I have roughly sketched.

Unless satisfactory provision has been made for propaganda, education, training and supervision, it is worse than useless to think of multiplying primary societies. This consideration applies with greater force to the organisation of multipurpose and sale and purchase societies, though the need of linking up credit with comple-

mentary activities is strongly felt. Adequate and efficient supervision of primary societies has proved a very tough problem and no satisfactory solution has yet been found for it. These questions have, however, to be faced and suitable arrangements have to be made for education, training and expert management. Honest, capable and industrious men are required to run our different institutions and we cannot despair of finding them.

The Registrar favours a cautious policy in starting new societies and rightly holds that "the development of trained business capacity must precede the launching of a drive to widen the scope of primary societies." He says that the development of marketing and consumers' societies is being impeded by a lack of suitable men, and primary societies which are finding it difficult to secure honest and capable men to manage them, can hardly be expected to provide for joint sale and purchase and village reconstruction. With regard to supervision, he remarks that the failure of unions is throwing a heavy burden upon the banks and that unless ways are devised to revive unions and to secure active and honest work from their unpaid directors, central banks will soon find that supervision through their inspectors is an impossible task. With regard to the management of the affairs of societies and banks the Registrar's comments are pointed, challenging and thought-provoking. That the staff of societies and banks must consist of trained and experienced persons will not be denied and it will be conceded that members of managing committees and boards should have general acquaintance with banking methods and practices prevalent in the business world; but how to secure for the banks, directors who will come up to the standard suggested, is not an easy question to answer. In view of the class of people from among whom directors of banks are drawn, it would appear to be necessary to devise arrangements to spread business knowledge among the persons concerned. To secure control of credit granted to societies, we are told that efforts have been made to educate panchayatdars but that they and the members of societies continue, to a disquieting extent, to be "Co-operative illiterates." With these illiterates and "co-operative half-educated" elsewhere, the future for a programme of development must be gloomy indeed!

Your Registrar's remedy for the ills of the body co-operative, appears to be co-operative education, to be undertaken by co-operators themselves. He would squash, once for all, the doctrine held by some that the development of co-operation is in the hands of Government. *Would it be wrong and unfair to say here that he wants co-operators to hold the Departments' baby?* It is an admitted fact that Government has made itself responsible for starting, promoting and looking after the co-operative movement in India and that the latter has been guided and controlled by a Government department all these years. Your Registrar has himself stated that its present plight must be partly attributed to its hasty expansion. *Co-operative policies have been formulated and carried into effect by the Department often without consulting non-official opinion and some times in spite of its opposition and the movement has never been popular in the real sense of the word.* Facilities for the recovery of dues of societies by the coercive process from recalcitrant members have often been difficult to obtain and demoralisation has resulted. The feeling has widely prevailed that co-operation is an affair of Government, managed under the auspices of one of its departments; and many have put their money into our banks under the impression that it was completely safe there because the institutions concerned were regularly audited, inspected and supervised by the Department. *The Department cannot*



*repudiate its responsibility for the present state of things which is deplored.* Due credit must, on the other hand, be given to non-official workers who have, at no little sacrifice, participated in the building up of Co-operative institutions, often in discouraging conditions. But it is not a question of apportioning blame; the problem is how every one who is interested in the well-being of the masses, be he an official or a non-official, should make his contribution to the efficient Co-operative organisation of the people for the achievement of their welfare. Government has likewise to appreciate its responsibility, as representing the community as a whole, to the illiterate, backward, poverty-stricken and heavily indebted peasantry. It is now generally recognised in this country that rural development in an intensive form and on a large scale has to be undertaken and systematically carried out by Government. Legislation for debt relief, for instance, has been enacted in various Provinces with this end in view. This implies a recognition of responsibility by Government for the kind of amelioratory work which the Co-operative movement is attempting. Concessions, facilities and financial assistance claimed for co-operative institutions are thus not only fully deserved but are indispensable. *The alternative would be for Government to take over the business of co-operative institutions and manage it themselves.* This would undoubtedly be a retrograde step, opposed to the spirit of policy approved generally in all countries to-day. Co-operation is a universally recognised agency best suited for educating people in self-help and thrift and for organising them for common welfare, material and moral. Let us frankly acknowledge the serious defects that have developed in our Movement and let us all, Government and the people, officials and non-officials, put our heads together, take common counsel and adopt the measures necessary for putting the movement in proper order and for providing for its steady progress. A united and determined effort of this character is bound to be rewarded with ultimate success.

**Extracts from the Presidential address delivered by Dr. B. V. Narayanaswamy Naidu, Professor of Economics, Annamalai University.**

To us at this Conference, of the many efforts thus made in the decade just finished, one is of particular significance: It is the work of the Committee on Co-operation which was constituted in Madras in November, 1938, by the Government of Madras and which published a splendid report of its work in April, 1940. The publication of the Report may be aptly described as a landmark in the history of Co-operation in this land, and the report itself is a flattering indication of the profound interest, the striking thoroughness and the wide vision with which the Committee faced its difficult task. A proper appraisal of the benefits which had actually accrued from co-operation in this province had to be made; the values of co-operative policy had to be carefully weighed; and recommendations calculated not only to overcome the defects of the movement and the system of its control and its administration; but to ensure at the same time the rapid progress of the movement in the right direction, had to be made. It will be presumptuous on my part to say that the work has been most ably done. Thoughtful students of economics and the more capable co-operators of this land will find much to ponder over and benefit by in this valuable document of co-operative progress.

It is common knowledge that the movement was started here in 1904 as a credit movement in order that the agriculturists may be rescued from the grip of usurious money lenders and provided with cheap credit both for purposes of cultivation and

for enabling them to face bad harvests. The movement from 1904 onwards has grown greatly, but it has had to go through many phases of development, and pass through many vicissitudes, great and small. In Madras, from very small beginnings the movement has gained such ground that to-day there are 14,466 societies with over 1.16 million members and a working capital of more than Rs. 24 crores. The movement has also been extended in many directions, but agricultural credit societies still predominate and form about 90 per cent of the total number. The Societies which represent the agricultural and animal industries, cottage industries, many small trades, marketing, sales, better-living, thrift and other organisations form only about 10 per cent of the co-operative organisations. Agricultural non-credit societies are the more numerous among non-credit societies. Many factors to which I need not here refer have led to the heavy indebtedness of the Indian cultivators; but in spite of nearly forty years of endeavour, and in spite of the growing number of co-operative societies, the indebtedness of agriculturists has continued to grow at a colossal rate. Although the growth of co-operation in Madras may be described to be rapid, it has not affected more than a tenth of our population; and even the ten per cent of peoples who have been influenced by the movement have not wholly benefited from it. Giving the causes which have brought about this stalemate in the rural credit organisation, the report refers to the following:—"Indifference of Panchayatdars (who are in many cases themselves defaulters), lack of proper supervision, lack of proper attention to the grant of extension, advancing of loans without proper consideration of their purpose and the repaying capacity of members, binamy transactions, failure to take prompt and sufficient steps for the recovery of overdues, illiteracy and ignorance of co-operative principles among members of primary societies, bad harvests, etc." Writing in 1933 on the progress of the movement in this presidency, I said, "Faction, favouritism and nepotism have no place in the economy of co-operation. Petty jealousies and bickerings should be forgotten in the disinterested service of the people. Incompetence and dishonesty must be cut off with a ruthless hand if the movement should have a strong and healthy growth. Neither personal prominence nor party aggrandizement should be allowed to dominate the working of any society large or small."

If co-operation should thrive in our land and resuscitate our agriculture, build our trade, and better our standard of living, integrity should be made the primary basis not only of leadership but of membership in every society. Many grave defects in the working of co-operatives may be traced to the lack of basic honesty among the members. The large overdues obstructing the progress of agricultural credit societies amount to over 40 per cent in regard to short-term loans and to over 60 per cent in regard to long-term loans: Loans are thus given by societies and accepted by members "with little regard to the necessity of repayment." The extent of overdues in primary societies may be taken as the measure of the failure of co-operative effort in fostering such moral qualities as will ensure the best use of cheap credit in productive and helpful ways. Unless co-operation helps to establish in practice an essential honesty of purpose in all the dealings of its members and sees to it that thrift, self-help, mutual assistance and watchfulness are made into realities of rural life and conduct, the co-operative ideal will continue to be but a chimerical ideal, not "a way of doing business."

Systematic training should be provided by the establishment of a central institution for co-operative education for this province which will deal with all aspects

of co-operative education according to a definite programme. In the report of the Madras Committee of 1940, a recommendation has been made for the institution of a College of Co-operation to be organised and managed by the Government and the establishment separately of two co-operative training institutes to be under non-official management, one for the northern districts and the other for the southern districts. When the central institution is established, it should be organised on the same basis as any other educational institution for professional training. There is no need to fight shy of government control of the Central College for the simple reason that such institutions as the Medical College and the Engineering College which are government-managed, have not failed to produce doctors and engineers who are men of eminence and efficiency and at the same time endowed with considerable public spirit. I agree with the Madras Committee in thinking that only under Government management, the central college will be able to secure the best teachers with the greatest security of tenure and the utmost possible freedom from interference.

In this connection, I may refer to the subject of Government control of the co-operative movement. A few of our more able leaders of co-operation have insistently sought for a relaxation of official control in order that non-official initiative and enterprise may not be discouraged and killed and the sense of responsibility "destroyed" among those to whose care the institutions should normally be committed. The insistence on the need for co-operative freedom is due to a belief that the Co-operative Societies Acts are all drawn up with the Registrars as the centre of the picture and not the Society. While there is a good deal of truth in the contention that official control tends to smother the enterprise, enthusiasm and initiative of honorary workers in the field, it must not be overlooked that the movement did not spring up from the people spontaneously and that the rural population for whose essential uplift the movement was started are not only grossly uneducated and unwilling to improve, but blindly suspicious of all progressive efforts and often unreasonably antagonistic to both the non-official and official efforts at their betterment. I am a firm believer in the democratic ideals of co-operation; but under the conditions of social existence obtaining in this land, there is an emergent need to ensure the harmony of official and non-official agencies and properly to correlate their work in order that the best interests of our society may be served. Opposition evokes antagonism, while sympathy and understanding beget appreciation and regard.

Let me now take for a somewhat detailed consideration certain aspects of co-operative development in this province.

Agricultural Credit Societies have to play a very notable part in the rural life of our land, and they form the very foundation of the co-operative edifice. Their financial strength is fundamental to the progress of the ryot, and hence they were even at their inception re-inforced with the aid of unlimited liability. But the strain of depression has revealed serious defects in their structure and prompt and adequate measures have to be taken if the edifice is to be saved from destruction.

The depression stressed the need to lighten the burden of rural debts and to facilitate their gradual recovery without undue strain to the agriculturist; and the altered circumstances of rural economy compelled the attention of co-operators and officials to the necessity of regulating fresh supplies of credit to cultivators in accordance with their reduced-power of repayment. Though schemes of rectifica-

tion and consolidation were initiated by the Department very early, the recent Madras Committee rightly considered it necessary to suggest a comprehensive plan of revival and reconstruction. What is of greater importance than rectification is, as the Committee itself thought, the considerable importance of proposals regarding the reconstruction of agricultural credit societies. These proposals were to be adopted immediately and a programme extending over five years for their rehabilitation was to be fixed. I should like to refer here in detail to two of the recommendations the one concerning the widening of the area of operation of the primary societies and the other concerning the introduction of unlimited liability in the reorganised societies.

As regards the extension of the area of operation of the village credit society, I am at one with the Committee in believing that the extension will enable the primary societies to increase their volume of business and thereby to acquire paid clerical staff; and at the same time it may provide a check to local factions now affecting efficiency, and offer added scope for effective supervision, inspection and audit. A wider basis may also facilitate a better selection of qualified men as office bearers, and these men could find in a group of villages more ample opportunities for developing their business talents than in the narrow confines of a single village. Owing to the present state of our social organisation and education, it has been our sad experience that even within the limits of the village, very little interest is evinced by members to acquire mutual knowledge or develop the capacity for mutual help; if factions existing in villages show a tendency to spread into inter-village feuds, we must attempt somehow to go to their root causes and remove them; and further, no special benefit has accrued so far from the principle of 'one society one village' worked in consonance with the Indian tradition of regarding the village as a unit of corporate life. A compact group of villages is more likely to facilitate efficient corporate activity under modern business and general living conditions than a small and resourceless village unit which often comprises but a few hamlets and many absentee landlords. The union of contiguous villages for a common business end does not necessarily negative the co-operative principle of mutual knowledge; on the other hand, increased efficiency attained through the grouping will stimulate more and more extensive developments beneficial to the rural population.

As regards the question of replacing unlimited by limited liability in the reorganised societies, I believe in the majority opinion that limited liability at this stage of development is necessary to gain the confidence of the investing public. Recent experience all over the world may be said to be against the continuation of the principle of joint and several liability owing to its tendency to impair the support of the members and affect their regard for the co-operative ideal. As one authority says, a sound economic purpose, good organisation and good management are much more essential to the well-being of co-operation than the most complete liability of members. *Unlimited liability has done more harm than good owing to the over-financing it has induced.* The advocates of unlimited liability argue that a sudden change may lead to a suspicion that all is not right with the movement and it might weaken the emphasis on character. They also contend further in favour of unlimited liability that limited liability might affect the watchfulness of panchayatdars in the examination of loan applications and that this would tend thereby to a greater but needless check on the part of the central banks. But I see no great force in these arguments.

As against the disadvantages of unlimited liability, there are also certain special benefits which can accrue from the adoption of the principle of limited liability for the reorganised primary societies. Periods of economic strain like the recent depression will necessitate a strict enforcement of unlimited liability in the liquidation of societies. Non-borrowing members and those who have been regularly discharging their debts will suffer heavily. Unlimited liability tends to keep away from the movement the more solvent and well-to-do agriculturists much to the disadvantage of the rural societies. So long as the right of alienation is not checked unlimited liability does not prevent dishonest evasions of repayment. The confidence the society creates in depositors or the public arises out of efficient management and the support the Government has given, not so much out of unlimited liability. These apart, the principle itself of unlimited liability is not generally understood and the mutual knowledge on which it is based is rarely present. Unlimited liability is superfluous in a land in which loans are commonly issued not on the basis of personal character but of material security. Cheap credit is sometimes said to depend on unlimited liability but to me the connection appears to be too slender to be valued. I agree with the Madras Committee that the reorganised village societies will need a form of limited liability both for the purpose of creating confidence in the public and for securing efficiency in dealing with a group of villages, and in extending its functions to other work than credit. The urban co-operative societies which have worked on the basis of limited liability have not ceased to be co-operative; and there is no reason why the principle should not be adopted for the larger rural societies proposed to be brought into existence.

The next subject to which I wish to refer pertains to the proposal brought before to Madras Committee on Co-operation to provincialise all co-operative banking in the province by conversion of the central banks into branches of the apex bank at Madras. The present organisation is an efficient federation in which the autonomy of both the basic units in villages and the district banks is fully reorganised and protected on the co-operative principle. The proposal was made on the assumption that at present the central banks are but intermediaries between the Provincial Bank and the village societies and as such can be eliminated so as to cut down expenses of management and give an advantage to the borrowers. The scheme of centralisation, it is also presumed, will help to centralise not only fund but banking skill and experience, and thereby effect further savings in the cost of management. Another argument advanced in favour of the proposal is that a uniformity in policy, co-ordination and financial control would be achieved with ease by centralisation. The Madras Committee did wisely in refuting these arguments and emphasising the great value of central banks to the Co-operative movement. The Central Banks are not mere intermediaries in the Co-operative credit organisation; the loans from the Provincial Banks and overdrafts amounted only to 11.3 per cent in the year the Committee met. The economies in management which may be secured by centralisation will be offset by the increased expenditure connected with the management and supervision of district branches. This consideration of economy overlooks the fact that the business of Central Banks has been increasing and that the reorganised and strengthened rural societies are likely to provide additional business to the Central Banks in the near future. Further, a uniform banking policy can be initiated as well for a federation of many autonomous units as for a centralised system; and periodical conferences of the district units would help to co-ordinate policies and methods of financial manage-

ment. There is also the danger that centralisation may render the administration top-heavy. Instead of the efficient pyramidal arrangement we now have, there might result an organisation in which the apex bank would weigh down the Central Banks and basic units and suppress all local initiative and enterprise.

Whatever the advantages of provincialisation, it is essential that in this connection we should not overlook the manifold advantages the Central Banks have. The local autonomy of the district units now ensures enthusiasm in the members of the managing boards, and pride in their work conduces not only to enterprise and efficiency but to the encouragement of local deposits. Autonomy now enables the Central Banks to maintain an intimate contact with the constituent societies; and this gives them a direct and adequate knowledge of the needs of their members and also facilitates freedom of action and flexibility of operation. The Central Banks now ensure an effective supervision of constituent societies with the assistance of supervising unions, and this is a work which will be difficult to do in a complex and top-heavy provincial administration. The Central Banks both by their knowledge, nearness and efficiency, will be best fitted to assist the reorganised village societies which the Committee has proposed to bring into existence. Thirty years of existence have proved the value of Central Banks and they have successfully stood the test of the trying times of the recent depression. But the greatest danger arising out of their conversion into branches of the apex bank would be that defects and faults in one part would, on account of the close connection brought about by centralisation, tend to pervade the whole system of co-operative credit and destroy it. The responsibility for faults and omissions should rest with the individual units if co-operative finance is to be safeguarded from the dangers that but recently seriously undermined it in two major provinces of this land. Independence is necessary to obviate the dangers of inter-dependence. Recent European experience is said to be in favour of 'the two financial storeys'; and every consideration would prove that there is little need to effect a change in the federal system of the Co-operative banking organisation in this province.

I wish now to speak of one other subject connected with co-operative banking. Surprisingly enough, the Madras Committee have by a majority decided in favour of eliminating from central banks representatives of individual shareholders in order that the banks may be wholly representative of constituent societies only.

I am unable altogether to see any force in the arguments of the Committee. Men of merit and integrity, wherever placed, will always help to lead, in however small a minority they may be. Representatives of individual shareholders have evidently rendered yeomen service in the beginning in the management of central banks and in extending their work as agencies of credit. They have not failed to adjust themselves to changing circumstances; they have, in fact, served as a wholesome corrective to faults in the working of the central banks. I can, accordingly, see no reason in the proposed changes.

Before I conclude, permit me to indicate to you in very general terms the need to extend rapidly the field of our endeavour to 'pastures new.' To enable co-operation to serve its ultimate purpose of better-living, an intensive expansion of its activities in every field of economic activity should be undertaken. Agriculture, trade and industry offer untold possibilities of development on the co-operative principle; only the human will has to be yoked to the vehicle of human prosperity and well-

being. The suggestion has already been made by the Madras Committee, and diverse but unconnected efforts have been made in many places, to put into practice the model by-laws of village societies which aim to supply manure, improved seed, and modernised implements for efficient cultivation, to effect common sales of village produce for better returns and even to make joint purchases of agricultural equipment and power machinery to facilitate collective farming. As the Committee said, "the germ of multi-purpose societies is there in existence in our by-laws;" and in working such societies, the development under intelligent direction of subsidiary cottage industries, should also be undertaken side by side in order to improve the income and add to the purchasing power of the agricultural population. The nature of these subsidiary industries will naturally vary from place to place; but dairying, poultry-keeping, agriculture, handloom-weaving, fruit-growing and diverse other industries offering scope for subsidiary occupations call for special technique and careful organisation as well as the aid of more than one department of Government to guide and supplement non-official endeavour. In this connection, it is necessary to point out that with efforts at agricultural improvement, no attempts have been made side by side to develop and co-ordinate such industries as are connected with, or arise out of agriculture. At Vuyyur, a joint enterprise for the production of sugar-cane and of sugar on the co-operative basis has indeed been started, and though the report is not at present very encouraging, we may hope that it will ultimately prove a success. With greater education and more co-ordinated effort, its example may stimulate similar endeavours in the province.

Of 14,466 societies in the presidency we have to-day, there are 710 agricultural non-credit societies, many of them interested in milk-supply, the supply of provisions, in weaving, and in school and college stores; and there are also 982 non-agricultural non-credit societies. These non-credit societies represent many branches of agricultural effort and animal industry; and some are concerned with industrial effort and housing and attempts at thrift and better-living. As I have already indicated, the total number of non-credit societies in this province amount altogether only to about 10 per cent and even the few such societies which lie scattered over the province are not the result of any co-ordinated effort.

It is essential that a plan of co-operative development should be initiated to ensure the success of the movement. Co-operative endeavour will ensure for the village the advantages which the individual cannot hope for—expert assistance and scientific appliances essential to agricultural improvement and marketing. Co-operation will also cheapen the cost of living, render medical aid easy, ensure better and more hygienic housing, develop handicrafts, create thrift, secure good cattle, prevent litigation and in a hundred other ways make good living possible.

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#### COTTAGE INDUSTRIES EXHIBITION, MADRAS, 11—10—41.

**Extracts from the opening speech of Diwan Bahadur K. Deivasikhamani Mudaliar.**

Before I declare this Exhibition open I wish to say a few words on one or two matters in regard to the working of the Co-operative Movement in our province.

The question is frequently asked in recent years whether the Movement has done any good to the ryots and whether the expectations of the pioneers of the Movement have been realised.

In spite of its defects, the Movement has done immense good. It has given several crores of rupees as loans to ryots during this period of 26 years at reasonable rates of interest. The working capital of all the societies amounted to over 24 crores on 30th June 1940, although some amounts had to be counted twice or thrice over.

I must however confess, that on the moral side the Movement has not so far been a success. Mr. P. Rajagopalachariar (later Sir) the first Registrar (with whom I was associated from the very inception of the Movement) believed that the village harmony (which was found then wanting and which ancient India possessed) would be reestablished by the spread of Co-operative Movement. In a letter written to me from France on 1st September 1926, Mr. Rajagopalachariar expressed his disappointment that the Movement was a failure in this respect. In a speech made at the second Chingleput District Conference held at Madurantakam in February 1911, Mr. Ramachandra Rao the second Registrar gave a rosy picture of the development of a village society as it would be found 40 years later.

It is now 30 years since the picture was drawn up. Are we anywhere near it?

Co-operative societies cannot be created to order. They have to be fostered and nurtured carefully before they can bear fruit. What does the supervising staff whether official or non-official, do in regard to this. A petition comes and the inspecting staff assumes an air of authority and widens the gulf between the two sets of men in the village. The same matter is enquired into every time a petition comes. I do not say that the staff deliberately divides men. Their action results in this. They have forgotten their primary duty. They do not attempt to bring about harmony. More ability to pass examinations is not what is required of a Supervisor or an Inspector but the ability to compromise differences without actually interfering with the management or relaxing the responsibility of administration. The training given to the Supervising staff must be of this character. What the supervising or controlling staff should realise is that they are not there to manage societies themselves or direct the societies to do as they (the Staff) wish. I have come across instances where the Supervisors write the minutes of the meetings in advance in the minute book and get the signature of the members or panchayatdars when they come. I know also that they go to societies to get certain things decided in a particular way. This will not do.

As regards the supervision of societies, I wish to say a word. How though the Movement has been working for the last 37 years, the question as to the best agency for supervision has not yet been solved. The controversy is still there; I would suggest that experiments should be made in a selected area, and that the entire work should be entrusted to a local supervising union without any sort of interference by an outside agency, the Government doing merely the statutory duties.

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**EXTRACTS FROM THE REPORTS OF THE XXTH ANNUAL GENERAL MEETING OF THE BOMBAY PROVINCIAL CO-OPERATIVE BANK AND THE ANNUAL REPORT OF THE BOMBAY CO-OPERATIVE BANKS' ASSOCIATION.**

We have received a copy of the Annual Report of the Bombay Provincial Co-operative Bank for the year 1940-41 and the speech delivered by the Chairman of the Bank, Mr. R. G. Saraiya, and also a report of the working of the Bombay Co-operative Banks' Association.

The Share Capital of the Bombay Provincial Co-operative Bank at the end of the year was Rs. 12,99,850. The number of shareholders was 3,401 of whom Co-operative institutions numbered 2,060. Among individuals a new class of members called 'B' class members, was introduced some time ago. These members came from the membership of the primaries and are eligible for receiving advances against agricultural produce and gold and silver articles. The Working Capital of the Bank at the close of the year was Rs. 2,57,48,200 and the various reserves aggregated to Rs. 20,42,494. Out of these reserves a sum of Rs. 11,02,670 represents provision for bad and doubtful debts. The owned capital forms 13 per cent of the total working capital. The following are extracts from the Directors' Administration Report.

"There has been an increase of nearly 20 lakhs in the deposits held by the Bank. The bulk of the increase has taken place in the demand liabilities. This is in consonance with a similar tendency noticed among joint stock banks since the outbreak of the War. The increase that has taken place in the volume of demand liabilities necessitates the maintenance of larger fluid resources. There is an increase of Rs. 13 lakhs accordingly in the cash in hand at the Head Office and branches of the Bank and in balances in current accounts with approved banks.

While there has been an increase in the resources of the bank, it will be observed that the amount of loans and advances shows a substantial decline. This is due mainly to the fact that the urban and central banks which had borrowed as at the close of the previous year on the security of Government paper or of fixed deposits in the Bank, repaid the outstanding loans as soon as conditions in the money market were stabilized. The figures of overdrafts, cash credits and advances against fixed deposits thus show a drop of Rs. 9 lakhs. Advances of other types too show a reduction of nearly Rs. 3 lakhs. This decline in the loan operations has naturally told on the profits of the Bank which are on a lower level than in previous years. The maintenance of liquid resources at a higher level, the grant of dear-food allowance to the staff for the whole year, the payment of rebates to societies and the provision made for meeting deficits in the establishment charges of recovery officers have all combined further to reduce the net profits.

The Directors regret that although they have accepted the estimate of the losses of the Land Mortgage Department of the Bank as framed by the Registrar, Government have not yet been pleased to pass their orders on the Bank's request for a contribution to meet the loss. The loss is shown as a recoverable asset as in previous years."

Mr. R. G. Saraiya, Chairman of the Bank, made a very interesting speech in opening the proceedings of the Annual General meeting. He said that easy money conditions prevailed throughout the year and that deposits' rates ruled low, and

that the decline in the market price of Government Securities was checked from July 1940 and since then prices began to rise. Discussing the question of the prices of agricultural produce and manufactured commodities he pointed out that the world war had not brought any improvement in the lot of the farmer, for owing to the closure of important European markets, prices of raw-materials and food-stuffs which constituted the greater part of Indian Exports prior to the outbreak of the war, remained at a comparatively low level while the prices of manufactured articles showed an upper trend owing to the fall in imports.

The Bombay Co-operative Banks' Association, to whose activities Prof: V. G. Kale drew attention in the inaugural address which he delivered to the 24th session of the Madras Provincial Co-operative Conference in October last, had their year's successful work to its credit as will appear from its second annual report for 1940-41, a copy of which has been sent to us. Its membership consists of 24 urban banks and 12 central financing agencies. Mr. R. G. Saraiya, Chairman of the Bombay Provincial Co-operative Bank is also the Chairman of the Association. The Association at its meetings dealt with a variety of problems such as Remittance Facilities from the Reserve Bank of India; Mutual Remittance Arrangements between the various Co-operative Banks; Banking Standards and Uniform Balance-sheets for Central Financing Agencies, work of the Supervising Unions; System of Group Secretaries; Questions relating to Audit, Recruitment and Training of Staff; Development of Urban Banks; Operations of the Bombay Agricultural Debtors' Relief Act in relation to Co-operative Societies, to mention the more important items of business transactions. The Association also examined the recommendations of the Madras Committee on Co-operation, 1939-40, in the light of opinions offered by its member Banks. As a result of the examination they addressed the Registrar suggesting a change in the Bombay Co-operative Societies Act in regard to the procedure for attachment and recovery of loans on the lines recommended by the Madras Committee.

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#### EXTRACTS FROM THE XXVTH ANNUAL REPORT OF THE MADRAS PROVINCIAL CO-OPERATIVE BANK

The Share Capital of the Bank at the end of the year 1940-41 was Rs. 6·67 lakhs. The total borrowings of the Bank at the end of the year stood at Rs. 241·46 while the loans due from Central Banks, primary societies and individuals was Rs. 130·51 lakhs, excluding transactions under overdrafts, (which amounted to Rs. 5·33 lakhs) . The Reserve Fund at the close of the year was Rs. 19,00,000 against which the Bank has separately invested Rs. 19,36,500. The net divisible profit earned by the Bank during the year was Rs. 2,53,398-15-2 of which one-fourth shall be carried to the Reserve Fund, as per by-laws of the Bank.

The deposit position has considerably improved and the volume of liquid assets has also increased. The deposits in the year 1941 comprised of Current Deposits, Fixed Deposits, Reserve Fund Deposits of Central Banks and Prudential and Provisional Deposits which amounted to Rs. 240·38 lakhs while the deposits in the year 1940 comprised of Debentures and Borrowings from Banks also and amounted to only Rs. 227·61 lakhs. Cash and Bank balances, Government Securities and other Trustee Securities constituted the liquid assets of the Bank and the amount in 1941 was Rs. 158·37 lakhs while the amount in 1940 was only Rs. 147·50,

On 1st December 1940, the Bank redeemed the 5 per cent Debentures of the face value of 2.15 lakhs issued in 1927 and due for redemption after twenty years i.e., in 1947. They were redeemed according to the terms of issue on giving six months' notice.

There has been a spurt in the volume of produce loans. The balance of ordinary loans outstanding on 30-6-1940 was Rs. 36.02 lakhs and the amount issued during the year to 18 banks was 27.65 lakhs. The Banks repaid a sum of Rs. 41.80 leaving a balance of Rs. 21.86 lakhs at the end of the year. The balance of produce loans outstanding on 30-6-1940 was Rs. 47.97 lakhs and the amount issued during the year to 20 banks was 92.13 lakhs. The banks repaid a sum of Rs. 62.40 lakhs during the year leaving a balance of Rs. 77.70 lakhs at the end of the year.

The demand for the advances started early in November, 1940 and continued till the end of April, 1941, when the peak of total advances, viz., Rs. 132 lakhs was reached on 5th April 1941. Due to slump in prices in the months of June, July and August 1940, the produce loans issued in 1939-40 were not repaid in time. Due to the recovery of commodity prices repayments came in quickly.

The Vuyyuru Co-operative Agricultural, Industrial and Credit Society, Ltd., Vuyyuru, has completed its sixth crushing season. The working shows a maximum of 1,14,062 tons of sugarcane crushed. Price of sugar stood at a fairly high level thus enabling the Society to realise good prices by quick sales. The dues to the Bank stood at Rs. 11,08,982 on 30th June, 1941.

The Board of Management met four times during the year and the Executive Committee 12 times. During the year the Hon'ble Mr. V. Ramadas Pantulu\* resigned his presidentship of the Bank on 23rd April, 1941.

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### THE TWELFTH ANNUAL GENERAL MEETING OF THE MYSORE CENTRAL CO-OPERATIVE LAND MORTGAGE BANK, LTD., BANGALORE CITY, 26TH OCTOBER, 1941.

#### Extracts from the Report for the year 1940-41

The statement below shows the progress achieved by the Bank from its inception till the close of the year under report.

	1930-31	1940-41
Number of Member Societies	.. 10	49
	Rs.	Rs.
Paid-up share capital	.. 37,753	1,24,550
Debentures in circulation	.. 1,32,700	12,99,700
Long-term loans issued	.. 66,000	3,06,485
Long-term loans outstanding	.. 65,863	13,74,186
Net profits	.. 21	23,717

\*He held the office of the Vice-president of the Bank from 1923 to 1926 and President continuously from 1926 till the date of resignation.

Government have exempted the Bank from forming a Sinking Fund till the end of June 1943. The amount of Statutory Reserve Fund at the end of the year was Rs. 14,647-13-3.

The total amount of loans sanctioned by the Bank from its inception up to the end of the year was Rs. 16,73,355 in 1,530 cases. Of this, a sum of Rs. 15,68,095 in 1,407 cases was actually disbursed, and disbursement during the year under being Rs. 3,06,485 in 333 cases as against Rs. 2,16,845 in 267 cases in the year previous. In accordance with the resolution of the General Body, a rebate of one per cent in interest as in the year previous was granted to the loan grantee who paid their instalments before the 30th June 1940, thereby reducing the rate of interest on their loans to 6 per cent.

The percentage of collections to the total demand was 99.52 as against 97.46 in the previous year.

The investigation of loan applications and other work relating to the Bank in all the areas covered by its operations continued to be conducted by the special staff of Inspectors maintained by Government exclusively for Land Mortgage work. There were 12 inspectors at the end of the year as against 11 at the close of the year previous.

The Government were pleased to sanction a subvention of Rs. 5,000 to the Bank for the year 1940-41, to enable the Bank to reduce the rate of interest on loans by one per cent by the grant of rebate in interest recovered. They were also pleased to sanction the continuance of the full exemption of the Land Mortgage institutions from the payment of all fees leviable under the Stamp and Registration Acts for a further period of three years from 1st August 1941.

Rajasabhabhushana Diwan Bahadur Mr. K. R. Srinivasiengar, M.A., who was the President of the Bank since its inception resigned the office and ceased to be the President from 30th November 1940 when he was succeeded by Lokasevasakta Mr. C. S. Kuppuswamiengar.

## THE RESERVE BANK OF INDIA

### EXTENSION OF REMITTANCE FACILITIES TO PROVINCIAL CO-OPERATIVE BANKS.

We published in the January-March (1941) issue of *the Indian Co-operative Review* (page 202) the circular dated 1st October 1940 of the Reserve Bank of India. Since then further representations have been made by Provincial Co-operative Banks to the Reserve Bank and as a result thereof some modifications have been made to the scheme referred to above. The first three paragraphs published in the January-March issue (1941) of the Review stand as they are. As the publication of the amendments alone may not facilitate easy reference, we republish below paragraphs 4, 5 and 6, which deal with the actual facilities extended to the Provincial Co-operative Banks embodying the recent amendments. —Ed.

4. The actual facilities which we propose to extend to the provincial co-operative banks are as follows:—

In addition to the facilities already available, a provincial co-operative bank will, from the date from which this scheme comes into force, be entitled to remit money by mail or telegraphic transfers between the accounts maintained at an office or branch of the Reserve Bank or the Imperial Bank as follows:—

(i) an amount of Rs. 10,000 or a multiple thereof between the accounts maintained by the provincial co-operative banks at the offices and branches of the Reserve Bank, free of charge; this facility will be available only between Banks joining the scheme.

(ii) once a week an amount of Rs. 5,000 or a multiple thereof to the principal account which it maintains with the Reserve Bank from any place where it has an office or a branch and at which there is an office, branch or agency of the Reserve Bank, free of charge;

(iii) other remittances to the principal account will be charged at 1/64 per cent subject to a minimum charge of Re. 1.

(Actual telegram charges to be charged in addition).

For the purpose of the above concessions the Reserve Bank will treat the co-operative central banks which are affiliated to the provincial co-operative bank as branches of the latter. The principal account of a provincial co-operative bank will be the account maintained by the head office of the bank at the local Office or branch of these Reserve Banks.

A branch of the Provincial Bank or an affiliated central bank at a place where there is no branch of the Imperial Bank will be granted the facility of making remittances under sub-paras (ii) and (iii) from an account which it maintains with a branch of the Imperial Bank at a very nearby place. This facility will be available only from one branch of the Imperial Bank and will be granted on the provincial or central bank declaring to the office of the Reserve Bank at which the principal account is maintained, the place at which it is to be enjoyed.

5. A provincial co-operative bank desiring to avail itself of the above facilities will have to agree to the following conditions:

(i) It should undertake to maintain with the Reserve Bank a balance the amount of which shall not, at the close of business on any day be less than  $2\frac{1}{2}\%$  of its demand liabilities and 1% of its time liabilities as shown by the return referred to in (ii) below;

(ii) It should send to the Reserve Bank at the close of business on each Friday, or if Friday is a public holiday under the Negotiable Instruments Act, at the close of business on the preceding working day, a return of its position in the form prescribed in Section 42(2) of the Reserve Bank Act and signed by two of its responsible officers; such return shall be sent not later than two working days after the date to which it relates;

(iii) If at the close of business on any day before the day fixed for the next return, the balance held at the Bank by any provincial co-operative bank falls below the minimum indicated in (i), the provincial bank should pay to the Reserve Bank in respect of each such day penal interest at a rate of 3 per cent above the bank rate (with a minimum of Rs. 10) on the amount by which the balance with the Reserve Bank falls short of the required minimum, and if on the day fixed for the next return such balance is still below the prescribed minimum as disclosed by the return, the rate of penal interest shall be increased to a rate 5 per cent above the bank rate in respect of that day and each subsequent day for which the default continues. If any provincial bank however wilfully defaults in the maintenance of the minimum balances for periods exceeding two weeks or fails to send the returns referred to in (ii) above, the remittance facilities would be withdrawn from the bank concerned.

(iv) The provincial co-operative bank and the central banks affiliated to it should prepare their balance sheets in the form suggested by the Reserve Bank and append thereto the certificate of the auditors and also supply half-yearly statements of their operations in the form prescribed.

(v) It is presumed that the above facilities will be used only for bonafide co-operative purpose. While no declaration will be required from the co-operative banks in the case of each remittance that it is intended strictly for co-operative purposes, the above facility is likely to be withdrawn from any bank utilising it for purposes other than co-operative.

6. It has been decided to bring the above scheme into effect from the 1st September 1941. This arrangement will be in force for a period of 3 years in the first instance after which it will be reviewed in the light of the experience gained. This scheme applies only to such provincial co-operative banks as have their head offices in places where there are offices or branches of the Reserve Bank.

## NINETEENTH INTERNATIONAL CO-OPERATIVE DAY

Saturday, 1st November, 1941

Reports have been received by the Indian Co-operative Review from various places throughout India that the International Co-operative Day was celebrated on Saturday the 1st November 1941, in response to the circular issued by the All-India Co-operative Institutes' Association. Celebrations were marked by solemnity appropriate for the occasion as the 3rd celebration after the commencement of the 2nd World War. The following resolution framed by the International Co-operative Alliance and circulated by the All-India Co-operative Institutes' Association was duly passed at all the celebrations.

On the occasion of the *Nineteenth International Co-operative Day*, 1st November, 1941, *The International Co-operative Alliance* profoundly deplores the fact that the Peace-Loving Nations are suffering so intensely from the present conflict, but proclaims its Faith in the ultimate Triumph of Freedom and a World pledged to Co-operation and Peace.

It calls upon its affiliated Co-operative Organisations and individual Co-operators:—

- To continue energetically to declare their unalterable faith in the power of the Rochdale system of co-operation to unite all the peoples of the world in Fraternal Sympathy and to secure for them Economic and Social Justice; to maintain Peaceful Relations between all countries; and to assure an Equitable Distribution of all the Resources of the Earth—which are essential foundations of a new world order;*
- To keep on high the Rainbow Flag which is a Symbol of Peace through co-operation, and to be ready, immediately after the war, to collaborate with the alliance to the utmost of their power in the gigantic tasks with which it will be faced;*
- To pledge themselves, meanwhile, to impress upon the Governments of their respective countries, and upon every section of the community, the Undeniable Value of Co-operation as an Economic, Social and Spiritual Force, and the remarkable successes which it has achieved during nearly a century in almost every part of the universe; and*
- To demand that, in the deliberations for the Restoration of Peace and for Economic and Social Reconstruction after the war, the International Co-operative Alliance,—which has united in its membership over 100,000,000 individual Co-operators in 40 different States, without regard to colour, race or creed—shall be accorded the important place to which it is entitled as the most representative and most powerful organisation of the peoples throughout the world.*

Resolutions were also passed expressing the earnest hope of co-operators in India for the speedy termination of the war successfully to Britain and her Allies and for the establishment of New Order, in which India should be included, based on peace and social and economic justice.—Ed.

The following is a summary of the proceedings of the celebration at Madras

Under the auspices of the Madras Provincial Co-operative Union, the International Co-operators' Day was celebrated on the evening of 1st November 1941, in the premises of the Servants of India Society, Royapettah. Diwan Bahadur K. Deivasikhamani Mudaliar presided. Messages from Mr. H. M. Hood, I.C.S., Adviser to the Governor, and Mr. A. Rajahbahadur Mudaliyar besides one from Mr. Ramadas Pantulu were read. The following is the message of the Hon'ble Mr. V. Ramadas Pantulu, who represents India in the Central Committee of the International Co-operative Alliance and President of the All India Co-operative Institutions' Association.

"India like other countries where free co-operative movements still subsist, is observing the 3rd International Co-operators' Day after the commencement of the war—a war between forces of freedom and aggression.

The British Co-operators as well as the International Co-operative Alliance proclaim their faith in peace through co-operation and pledge themselves to bring about a New Order based on peace and social and economic justice. It is gratifying to note that their New World Order, unlike the Atlantic Charter, includes not only the peoples of the American continent and of Britain but also the peoples of Asia and Africa. Let us Indian Co-operators convey to them that in this conflict between the Democracies and the Totalitarian Dictators, our interests lie in the triumph of the former and that we wish success to the gallant fighters who are staking their all to defeat aggression and establish peace, contentment and happiness once more by vouchsafing democracy and freedom to the world. At the same time let us tell the British and the International Co-operators that in the New World Order based on peace, security and social justice for the creation of which they stand pledged, India expects them to unflinchingly advocate her claims for her rightful place among the nations of the world as a free land. Then only can India play her proper role in world economy and the Indian Co-operative Movement can have an honoured place in the International Co-operative Alliance."

Mr. Deivasikhamani Mudaliar, speaking in Tamil, referred to the present world conflict and pointed out that if only the aggressors had realised the principle, "each for all and all for each" the present struggle would not have arisen. He was sure co-operation would succeed where capitalism and socialism had failed. So far as Madras Presidency was concerned, the speaker said, the progress of the movement during the last 37 years was immense. They had lent crores of rupees to the needy and the poor and sold goods worth several lakhs. Most of the articles dealt with by the co-operative societies were found adulterated even in the wholesale markets. The societies, therefore, could not supply pure goods to their members. It was only when their societies produced their own goods that they could guarantee purity. With the advent of the Public Health Act, the store societies stood the risk of being penalised even though they bought their foods in the open market and sold them.

From the very inception of the movement in this country, the speaker continuing said, they had been saying that it was essentially a non-official movement and that it should be controlled entirely by the societies themselves. The first society was started 37 years ago. But yet they were still fighting shy when it came to a question of assuming responsibility. The Registrar's last administra-



tion report had stated that a number of men had been lent to them. Perhaps the reason for the large number of men borrowed was that the management wished to be in office without any responsibility. The time had come, the speaker concluded, when the experiment could be made of entrusting the entire control to the societies themselves in one or two selected districts like Salem, Coimbatore, Trichinopoly or Kistna. The economic condition of the ryots of the province would not improve unless their income was doubled or trebled and the Co-operative movement would be of great help to them.

Messrs. T. Raghavendra Rao, K. O. Anthoni, P. N. Marthandam Pillai and Diwan Bahadur K. S. Ramaswami Sastri next spoke.

The resolutions proposed by the International Co-operative Alliance, London, were then placed before the meeting and adopted.

## EXTRACTS

### FUTURE OF THE CO-OPERATIVE MOVEMENT.

A learned and well-informed publicist commenting on the Bombay speech of the Hon'ble Mr. V. Ramadas Pantulu makes an interesting and critical review of the aims and achievements of the Co-operative Movement in India under the caption **Under the Fifth Rib** in the columns of 'Commerce and Industry', New Delhi. We give below extracts from that article.

I have read with considerable interest the address delivered a few days ago at Bombay by Mr. V. Ramadas Pantulu to the Joint Session of the Indian Provincial Co-operative Banks' Association and the All-India Co-operative Institutes' Association.

I agree with Mr. Pantulu's main thesis that the co-operative movement in this country has always been inverted, that is to say that, instead of starting at the bottom with the ordinary men and women as in the Western countries, it has started from the top, under official supervision, almost official compulsion. This is a very tragic thing to admit, but there cannot be any doubt about the truth and import of this statement even after four decades of official co-operative activity in all parts of the country. Nicholson, Strickland, Brayne and other European civil servants have rendered meritorious services to the cause of Indian co-operation, a point which will be gratefully acknowledged for all time by patriots in this country. But the fact is that they and a host of other co-operators who were either pioneers in this field or were actively engaged in the task of popularising that movement, moved and had their being in the official atmosphere, and consequently could not get away from red tape and the general official approach to nation-building activity, with the result that the said atmosphere has come to be a drag on the movement itself.

It is this sort of "co-operative compulsion," to use a very expressive phrase, on the part of the official authority, which has marked the course of the movement in the country till to-day, from which individual co-operators and institutions could not, as Mr. Pantulu rightly says, escape. This veteran co-operator has rightly stressed the point that the movement in India to-day has no relation to the new trends of activity in Western countries, nor is it equated to the present needs of the nation in every sphere of activity, agricultural, industrial, commercial. The movement is straddled with the ordained formulas of civil servants, and lacks both originality and initiative on the one hand and unfettered growth on the other. To take one instance, the movement in India has so far been completely one-sided, and even to-day non-credit societies are few and far between. The replacement of the individual money-lender by institutional credit supply has still to go a long way, however, and even the predominantly "credit" character of the movement in the country has not been able to achieve this after nearly half of a century of its existence.

The replacement of individual money-lending by co-operative credit is none-the-less a stupendous task. The traditional modes of social organisation in this country, in which communities and individuals are organised even in the XX century by functional activities, meaning thereby the caste system, has been one of the most irritating obstacles to the spread of the genuine credit movement through institutional channels. The Indian peasant and the urban man in the street still require a lot of time and education to see the benefits of institutional credit while a good many of the present participants of the movement, particularly in the rural areas, have so domineered over its affairs that it is not as yet possible for a stray individual, who does not possess personal influence and much collateral, to obtain the credit facilities he wants. Here again, the procedural forms and organisational details which are sanctioned by officialdom operate as a very unhelpful factor.

If we take another aspect of the co-operative movement in the country viz., the land mortgage system, the position will be found to be still defective, despite the spate of specific legislation concerning it which came into existence in the country in recent years. I have a feeling that the relationships between the Agricultural Credit Department of the Reserve Bank, the Joint Stock Banks, the stock and investment markets and the Co-operative Land Mortgage Banks require a lot of repairing before the question can be said to have been satisfactorily solved.

Perhaps the most outstanding defect in the co-operative movement in the country today is that whatever credit is available is not being utilised for the proper improvement and exploitation of agricultural land, the starting of cottage and other medium or small scale industries which are capable of adding to the national dividend, or other nation-building purposes, but is frittered away on harmful forms of expenditure, such as the myriad of social functions which envelop the diurnal activities of the mere man throughout the length and breadth of the country. Until, a new approach to the utilisation of institutional credit is devised and put into force soon, it is not possible for the co-operative movement to be of any direct beneficial consequence to the nation.

More than everything else, the fact must be recognised, and recognised in no uncertain fashion, that until the movement is humanised there is no scope for it to expand and to subserve the actual needs of the nation. I conceive it to be the primary duty of the co-operators in the country both at the top and the bottom, and of the official world which presides over the destinies of the movement, to run it not as a machine, but as a system of practical ideas in which the mere man and the mere woman can find self-expression and common benefit. When will this day come? I am afraid that until there is a thorough reconstruction of the movement as we find it to-day, in which the existing incubus of half a century of red-tape and lopsided organisation is removed, it is not possible for the country to reap the benefits which countries in the West, notably in what was till recently known as Denmark, have enjoyed in recent decades.

I have also a feeling that the leadership of the co-operative movement must pass into younger hands, for it is the younger generation which alone can bring salvation to the country in the economic sphere. For this, the voluntary retirement of hard-boiled co-operators is necessary, and I trust that a self-denying ordinance on their part will enable younger men with ideals and fresh ideas to

occupy the key organisational positions in the movement which control it in all its aspects. For, the co-operative movement is not an institution for careerists, who are out to enrich their own pockets at the expense of the community. Indeed, there are indications available in the country which show that even after half a century of organisation the movement is "controlled" by a few individuals, who are unwilling to give place to fresh blood. Actually, the co-operative movement should partake of the ideal of an Owen, viz., the service of the community and the benefit of all, in the place of the enrichment of the few. When this ideal of service comes to permeate the movement, then there is the assurance that it will become broadbased.

—*Commerce and Industries*, January 29, 1941.

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### THE LUCKNOW CO-OPERATIVE MILK SUPPLY UNION

Among many steps in the development of India's dairy industry, two simple forms of progress consist of increasing the consumption of milk in urban areas and the organization of rural supplies to satisfy such a demand. The urban population would benefit in many ways if a constant supply of safe milk of uniform quality and reasonable price were available. The small rural producer would benefit from a regular and fair market for his milk. Above all, the cost of collecting, processing, transport and the distribution of such milk would be pared down to a minimum. This can be done only by careful management of all steps, and the maintenance of economic units for working; this has been done by uniting the producers co-operatively, taking advantage of geographical features for collection and transport, and maintaining a satisfied retail market.

#### Marketing of Indigenous Milk Products.

(a) *Transport factors*—It can be realized at once that the form of milk product marketed from a certain producing area depends on the distance to the market. In places where there is no organized marketing, it can be said that cultivators up to 12 miles from a city will take their milk for sale in the city, using headloads, bicycles, light horse-drawn vehicles or rail for transport. The extended use of the bicycle has increased this radius to about 20 miles in some places. Farther afield, up to 40 miles, *khoya* and some ghee will be the primary dairy products, whilst at distances over 40 miles the main, and perhaps the only, sale product is ghee. Of greatest importance is the time factor in transport and its effect on the product. The product must not lose part or all of its marketable value during the time it takes to travel between producer and consumer. The effect of this factor is accentuated in India owing to high atmospheric temperatures during the day almost throughout the year.

(b) *Effect of development of processing and transport methods*.—It is obvious that improvements in methods of production, processing and transport will safeguard the marketable value of liquid milk. These improvements are of world-wide application and have been called for by the demand for uniform supplies of milk in large consuming centres. It must, however, be realised that these improvements have been attended by a considerable rise in the retail price of milk. The question in India, as in all other countries, is to work in such a way that this extra cost is spread over the quantity of milk found most economic

to handle. With new ventures of this kind in India, capital expenditure on plant and other requirements must be small, the innovations must be brought in gradually and all the steps in the process must be as simple as possible. This progress has been achieved in a few places in India.

The new developments in dairying and their effects in such milk marketing ventures may be enumerated as follows:

- (a) The producer is helped to maintain productive animals.
- (b) He is helped to feed these animals rationally.
- (c) He is encouraged to produce milk in a hygienic manner.
- (d) The bulked milk from many villages is collected at a convenient centre or centres on a *pukka* road.
- (e) The amount collected is sufficient to warrant the use of a small motor lorry for transport (the lorry may collect from many centres on the road).
- (f) The milk is processed either at the collecting or the distributing centre so as to enable it to gain in keeping quality.
- (g) There are facilities at the distributing centre to cool the milk and to keep it in cold storage until ready for retail.

These arrangements involve considerable capital expenditure to start the scheme and also entail considerable running costs.

#### Lucknow Co-operative Milk Supply Union.

With the above requirements of co-operative milk handling in view, it is interesting to trace how a successful milk supply union has overcome its various problems. The Lucknow Union can very well be selected as an example.

In the districts around Lucknow in which the Union is now active a considerable number of co-operative credit societies were in existence. These societies, however, were not successful and the members were slowly getting deeper into debt. Villages served by canal irrigation were more successful than those dependent only on the rains for success in cropping. Most of the cultivators produced milk which they sold at low prices to *halwais*. Undoubtedly there was considerable exploitation of the milk trade by middlemen and the *halwai* purchasers.

#### System of Indigenous Milk Marketing.

The system of milk marketing by the *halwais* is worth describing. The *halwais* in the city advanced money to cattle owners without interest and assured themselves of a regular milk supply by working on the following conditions: (a) the rate of supply of milk varied from 14 to 16 seers per rupee, the seer measure being 20 chataks; (b) the *khoa* yield of the milk supplied to be four chataks per seer; (c) if the *khoa* yield was less than four chataks the milk volume had to be increased proportionately. This system was very unsatisfactory. The milk supplier had to spend much time at the *halwai's* shop while the tests for *khoa* yield were carried out. In spite of the strict terms of contract, the purchasers defrauded the producer in the weighing of the milk, and the milk was over-evaporated in order to reduce the *khoa* yield. The accounts were never settled and advances

were made from time to time on demand by the producers. If the producers gave up the contract, either they did not recover the money due to them or numerous difficulties were placed in the way of its recovery.

#### Effect on the Military Stock.

The milk producers did not get sufficient returns to enable them to maintain their animals on satisfactory rations. The animals were allowed only rough grazing supplemented by coarse crop residues (toppings of sugarcane, *arhar* and *chana*, and various straws). The class of milch animal slowly deteriorated, the yield falling below two seers a day. It is evident that under these conditions the position of the milk producers was progressively deteriorating.

#### Deterioration Arrested.

This is where the Co-operative Supply Union stepped in to improve matters. The first step was to take a census of milch animals in the villages and to make a survey of the methods of marketing milk and its products. From this survey the drawbacks of the indigenous method of marketing just described were realised.

The first constructive step taken was to improve the type of milch animal in the village. This was done by buying out of co-operative grants animals from the Rohtak district (Punjab), interest on the cost of the animals being charged at 9 per cent per annum. In the first and second years Murrah buffaloes and some Haryana cows costing Rs. 14,000 were bought and distributed to the various villages in the circles.

The animals were purchased in the Rohtak cattle market in the presence of all the interests concerned. A party of one representative from each village headed by a supervisor made a selection of the animals; in this they were helped by the local cattle-breeding Inspector. Steps have been taken to supply improved bulls. These bulls are not maintained by the village societies nor are any contributions made by the societies for their maintenance. The Milk Union bears the whole cost of their upkeep. They are placed in the charge of a member of a society who is paid the cost of their maintenance by the Union.

#### Organisation of the Village Society.

The unit of production is the village society. The bulked milk of this society is taken to the collecting centre; the only check made is to see that the amount delivered at the collecting centre is the same as the amount sent from the village. The village society thus has to manage its own affairs in respect of (a) collecting the milch animals at a convenient centre for milking under supervision, (b) the weighing of the produce from each small producer, (c) the bulking of the milk, the locking of cans and the transport of milk to the collecting centres, (d) the payment to each producer for his milk, and (e) the buying of concentrated food from the parent society and its distribution among the villagers. To carry out these duties a village committee, such as a panchayat, is formed.

The animals are collected at a convenient spot and milked. The producer brings the bucket of milk to the platform where the panchayat sits, the milk is measured by the *carrier* in the presence of the producer and the weight is entered in the producer's passbook and in the society's register. The first page of every passbook used to contain a history of the animals and a record of the daily milk yield, which was checked by the society's register; at present these

records are entered only in the society's register. The carrier who transports the milk to the collecting centre does the measuring and bulking of the society's milk; he is responsible for the safe transport of the milk without loss or adulteration and is a paid member of the village society. The society also pays a monthly allowance to its member-secretary for the keeping of accounts and records.

#### Transport to the Collecting Centre.

The milk is bulked in cans holding 20 seers; these are made locally for about Rs. 5. The cans are locked; one key remains in the village; the other is kept at the collecting centre. The milk is transported to the collecting centre by the most convenient method, e.g., by head-load, bicycle, pony or tonga; depending on the state of roads, season, distance, etc. Since the milk has not been treated in any way at the village, this distance is covered as rapidly as possible.

On reaching the collecting centre, the milk cans are opened, a sample of the milk is taken and the weight of the milk is checked not by actual weighing but by volume, using vessels of multiple and sub-multiples of a seer. The amount of milk from each village is entered in a register and checked with the amount entered in the village register. The produce from the villages supplying the centre is then bulked into large churns holding one maund of milk, in which the milk is transported to the city distributing centre.

#### Transport to City Centre.

It has to be decided at the collecting centre whether the unprocessed milk from the villages will have to be processed before it is sent to the city. This depends on the length of time from milking until delivery in the city and the temperature of the milk and the air; the volume of milk collected is another important factor in determining what to do. In a small collecting centre a certain volume of milk may be considered as an economic unit when capital and running costs are concerned. Too small a volume means a high running cost per maund; too large a volume means either a lengthy processing period or too high an initial capital expenditure.

If a good road is available for motor transport the milk may with safety be carried unprocessed to the city. On the other hand a form of heat treatment may be demanded. This is best done by heating the cans of milk in larger vessels of boiling water until the whole of the milk reaches a temperature of 165 degrees Fahrenheit. The milk is not cooled but is immediately covered and sealed and transported to the city centre.

#### Treatment at the City Centre.

If the milk has not been previously processed, it must be pasteurised and cooled at the city centre. This is done by the *flash* method of heating to 165 degrees Fahrenheit by the cheapest possible means and then cooling down to 40-45 degrees Fahrenheit and storing in a cold chamber until ready for distribution. Milk which has been transported in a hot condition from the collecting centre is cooled and kept in cold storage.

The cost of distribution must be kept down to a minimum. It has to be realized that processing and distribution are the two steps which are respon-

sible for the high retail price of milk as compared with the price paid for the raw milk. The milk of the Lucknow Society is distributed loose from cans carried on bicycles. To detect and prevent adulteration by adding water, the milk of any distributor may be sampled in the street at any time without warning.

### Main Difficulties.

The above is a detailed description of the steps taken by the Lucknow Co-operative Milk Supply Union to organize village milk production, and the transport and handling of the milk from producer to consumer. The Society has been working for over three years, and although it has overcome many problems connected with the organization of the Union, it has still to face many practical difficulties which are concerned both with milk as a perishable article and as an article of food in a competitive market.

The difficulties on the technical side are concerned with safeguarding the keeping quality of milk in the cheapest possible manner. The Union has to sell a product reputed to have a good quality in competition with the fragmentary sale of an inferior product by *gowalas*. The prout of the Union's working rests almost entirely on paring down transport and processing costs to a minimum. Whether the milk should be heat-treated at the collecting centre or at the city centre depends largely on seasonal and local conditions. It is a good practice always to cool milk as soon as possible after milking. Owing to conditions in villages, it is difficult sometimes to get water at all, much less enough cold water for cooling.

The Union has done much teaching of how to prepare the animal for milking and to milk by hygienic methods. The villager is proud to maintain this hygienic discipline and the quality of milk has been greatly improved by it. The cans are scrupulously cleaned at the centres so as to ensure their being in the best condition to receive the milk.

Tests for fat and total solids are regularly carried out. Some data on the effect of air temperature on that of the milk have been collected but more comprehensive data covering all seasons are required. Some trouble in carrying milk in a hot condition may be met with as there are some lactic acid-producing bacteria which thrive at 140-150 degrees Fahrenheit; these, however, have not caused trouble so far.

The main problem is to popularise this class of milk among the public so as to promote increased sales. It is to be feared that urban population are either not milk-conscious or not quality-conscious where foodstuffs, especially dairy products are concerned. Competition from the *gowala*, with his frequently adulterated milk, would be overcome gradually if the buying public were educated sufficiently to discern this difference of quality. Another method is to attract customers by giving other services, such as supplying cream, butter and ghee. The scheme has the full support of educational, health and other public services irrespective of personal bias, since the venture is a non-profit-making business and a genuine attempt at eliminating that agent in milk marketing whose sole interest is profit, namely the middleman.



### Other Difficulties.

Owing to high capital expenditure some villages are without a good water supply or a covered milking shed. A shed with *pukka* floor and clean surroundings would help greatly in clean milk production since one of the chief ways in which milk is contaminated is by dust from the air.

The Union insists on some milk being left in the villages so as not to deprive the inhabitants, especially children, of this protective food. At least half a seer of milk per family is retained together with the fractions of half a seer which are not included in the bulked village milk. Young calves are also cared for from birth with regard to their milk and other rations.

Difficulties connected with the proper rationing of milking animals have been overcome by the purchase of concentrated foods by the parent society and their distribution according to the needs of each village society. This wholesale buying cuts down the feeding costs greatly. The inspector instructs the producers in rationing according to yield, and after preliminary instruction, the rationing is left to the village committee. The concentrated foods are paid for in instalments out of the receipts for milk. Grazing facilities are better arranged on a co-operative basis. Stores of rough fodder are also bought in large quantities and distributed. The societies also have the advantage of advice and inspection by the official veterinary staffs.

### Progress of the Lucknow Union.

This experiment of mutual help was carried on at the beginning through the credit societies mentioned; the main idea then was to make these societies solvent again. That was the aim of organizing the production and sale of milk.

The societies were then advanced Rs. 7,000 by the District Co-operative Bank, Ltd., Lucknow, at 9 per cent for the purchase of milch cattle. A loan of Rs. 100 without interest was advanced from the Rural Reconstruction Fund drawn from the Sugarcane Commission Funds; this sum was invested in cans, measures, etc. The purchase of concentrates is made from the money deposited by members in their compulsory thrift accounts (1 anna per rupee from sale proceeds).

Substantial help was then received from Government which gave Rs. 20,000 for the purchase of machinery and equipment, Rs. 5,000 for a motor van and Rs. 5,400\* for the construction of wells and milking sheds in some villages. Some of these funds have been used for the purposes intended with the result that the safeguarding of milk quality at least is well provided for. The financial position of the Union at present is unfortunately not strong, but every effort is made to run the Union on business lines, and the making of profits will take time.

\* This loan has not up to the present been utilised.

**Quantities Handled.**

The following statement gives the amounts handled in the years 1938-39 and 1939-40 :—

	1938-39	1939-40
Total milk handled (maunds)	5,663	11,450
Daily supply (maunds)	15½	31½
Sold as liquid milk (maunds)	4,182	9,205
Separated into cream (maunds)	1,483	1,835
Number of families supplied	500	800
Educational Institutions supplied	...	22
Price of milk (seers to the rupee)	7½	7-7½
Receipts for milk (Rupees)	16,998	50,969
Ghee (from surplus cream) (lb.)	1,000	2,296
Sale proceeds from ghee (Rupees)	662	1,404
Butter made (lb.)	1,000	4,661
Sale proceeds from butter (Rs.)	876	3,410
Number of village societies of all classes	40	79

The ghee was sold at 12 chataks to the rupee and the butter at 12 annas per lb. The present rate for ghee is 10¾ chataks to the rupee and for butter 14 annas per lb.

It can be seen that the Union made great progress in 1939-40 when it more than doubled the amount of milk handled, with parallel increases in the amounts of almost all milk products.

**Profits and Losses**

The Union was registered in March 1938. In the period up to June 1938 it worked at a small loss of Rs. 210. The year July 1938—June 1939 was worked at a profit of Rs. 1,035. Unfortunately in 1939-40 there was a loss of Rs. 5,035. This loss is made up mostly of rail carriage of milk animals from the Punjab, upkeep of dry animals and irrecoverable debts and one-third the cost of construction of milking sheds and wells in villages. Other measures aiming at the improvement of the condition of villagers have been the cause of some unremunerative expenditure.

Ways have been devised to improve the financial position. Supplies of milk are now drawn from more compact areas so as to reduce the cost of transport. The services of two wholetime supervisors to attend exclusively to milk have been obtained. One out of three collecting centres which was working at a loss has been closed down and the other two centres now cover more compact areas supplying a larger volume of milk. Also, recurring expenditure on removal to, and the buying of new plant, for a new building will not have to be faced in future years.

An attempt has been made in this article to describe the problems which arise in securing milk from villages to supply concentrated urban populations, the working of the Lucknow Union being taken as an example of how this has been achieved. The scheme involves more than working for monetary profit; it embraces ideals which will yield a benefit only after a number of years. The

movement educates the villager in milk and personal hygiene, thrift and a pride in his occupation; it brings the principles of fair dealing and honesty into his daily life; the work of milk production is made more worth while. The consumer is also provided with a better and safer article of food at a competitive price and the slowly moving educative effect of a uniform, product and of example will slowly raise the demand for wholesome milk in urban areas. The villager is prevented from starving himself of milk by insisting on residues being kept for the family. The work of disposing of his milk is taken from his hands by those he has learned to trust; he can therefore spend more time on his farm attending to his crops and animals.

There are many problems connected with this work which have not been mentioned here. They are concerned mostly with the exploitation of the villagers' milk at places remote from towns, such as the manufacture and marketing of *khoa* and ghee; yield and quality mean much here. Then there is the disposal of surplus milk and of separated milk in the most profitable manner and of the improvement of milking stock generally.

The author is much indebted to Rai Saheb Gopal Lal, Honorary Secretary of the Union and Mr. N. K. Bhargava, I.D.D., for their kind services in providing material for this article, and in association with Messrs G. W. Lawrie & Co., Lucknow, for the photographs illustrating the activities of the Union.

—*Indian Farming*, June, 1941.

## REPORT ON THE WORKS OF THE ALAMURU CO-OPERATIVE RURAL BANK LTD., ALAMURU.

**Introduction.**—The Alamuru Co-operative Rural Bank Ltd., was registered on 1-2-1938, as a special type of Society on limited liability basis to serve a group of villages within a radius of 5 miles of Alamuru. Sri T. Prakasam Pantulu, Bar-at-Law, the then Revenue Minister opened the Bank on 27-2-1938. Ten villages were included within the area of operations of this Bank. There have been Co-operative Societies in all these villages. Prior to 1930, these Societies were in a flourishing condition and their transactions came up to nearly 3 lakhs of rupees. Owing to economic depression since 1931, these societies were severely hit and their transactions came down to a lakh of rupees. The value of paddy and consequently the value of land came down to about 50 per cent and the members could not meet their obligations. Overdues accumulated rapidly. The Societies were not able to meet the demand of the financing Bank, and were obliged to take coercive steps to collect the overdues for meeting the commitments to the Bank. Fresh loans were not issued even to non-defaulting members who were regular in payment, as the majority of members were defaulters. The agriculturists could not find credit elsewhere and were left in a helpless position.

It is with a view to afford relief to such agriculturist and create confidence in honest borrowers, this multipurpose Society (rural bank) was started on limited liability basis. The Bank brought new cheer to the agriculturists to whom fresh

credit accommodation was given on sound security. To the labourer it has been giving succour by supplying him with rice in seasons when he could not find employment and collecting the dues in small instalments spreading over a number of months. The labourer in his turn has been very loyal to the Bank and he has been meeting his obligations regularly. Thus this Bank has amply justified its existence by rendering useful service both to the ryots and labourer, supplying them food, raiment and credit.

In the villages where there is local initiative, fresh business was started in the local societies, Editha Modukurru and Kapileswarapuram villages which were originally included in the area of operations of this Bank were subsequently eliminated when the local societies in those villages were revived. Penikeru, Kalvacherla, Pedapalla and Vedurumudi were newly added at the request of the villagers.

The Society at Alamuru was amalgamated with the Rural Bank and the amalgamated Bank was registered on 1-2-41 by the Deputy Registrar. The amalgamation secured the new Bank a share capital of Rs. 1,600, a Reserve Fund of Rs. 9,276-13-0 and a pucca building built on a spacious site granted by the Revenue authorities worth Rs. 7,000 and a bad debt reserve of about Rs. 6,000. This greatly strengthened the position of the new Bank and it is able to create fresh confidence both in the depositors and in the investing public. Previously the maximum borrowing power of the Bank was arbitrarily fixed at 1 lakh of rupees and now it is changed to 8 times the paid-up share capital plus Reserve Fund and by the end of the year the maximum borrowing power was Rs. 1,74,968.

**Share-Capital.**—This bank was started with a share-capital of Rs. 12 only. By the end of the 1st Co-operative year (i.e., 30-6-38) the amount of share-capital collected was Rs. 745. By the end of the 2nd Co-operative year (30-6-39), the share-capital increased to Rs. 3,146. By the end of the 3rd Co-operative year (30th June, 1940) the share-capital increased to Rs. 6,690. By the end of the 4th Co-operative year (30th June, 1941), the share-capital collected was Rs. 11,960. This included the share-capital of the amalgamated Alamuru Society Rs. 16,000.

**Membership.**—On the date of starting, the number of members is 12. By the end of June 1938, the membership rose to 95. By the end of 1939, the number of members, admitted was 239, by the end of June 1940, the membership was 491, and by the end of 1941 it rose to 1272. This included 104 members of the Alamuru Co-operative Society.

#### MEMBERSHIP ACCORDING TO OCCUPATION

Non-cultivating land-holders	..	140
Cultivating land-holders	..	297
Tenants	..	110
Field labourers	..	548
Non-agriculturists	..	125
Mixed	..	52
		<hr/>
<b>Total</b>	<b>..</b>	<b>1,272</b>
		<hr/>

## CLASSIFICATION AS PER CASTE

Brahmins	..	108
Kammas	..	216
Kapulu	..	191
Setti—Baljis	..	160
Harijans	..	403
Others	..	168
Christians	..	14
Mahammadans	..	12

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Total .. 1,272

The large increase of membership in this year is due to the sanction of loans in kind to agriculturist labourers. Heads of families of the field labourers are admitted as members on payment of Rs. 1-1-0 as share-capital and half a bag of rice is given on credit to these members on 2 sureties. The cost price is realised from these members by the sale of thrift lables daily by the Bank staff.

The Harijans form the largest number of a single community in the membership of the Bank. Out of a total membership of 1272, 403 are Harijans. Tenants and agricultural labourers are 658 in number, i.e. more than one half of the total membership. Rich and the poor, the landed and the landless residents are freely joining the institution without any distinction of caste or creed. This has given impetus for poor people to seek admission in the Bank in large numbers and obtain loans in kind and repay in driplets out of their daily savings.

**Borrowings.**—The Bank obtained as local deposits from members and non-members an amount of Rs. 34,281, and by way of loans from Central Bank an amount of Rs. 58,765. The financing bank sanctioned loans to this institution on remortgage of ever-continuity bonds registered by the members. The Bank obtained a cash credit of Rs. 4,000 on the security of Surety Bonds. Deposits were regularly repaid and there were no overdues to the financing bank by the end of June 1941.

**Loans to Members.**—1413 loans amounting to Rs. 79,011 were disbursed to members for various purposes during this co-operative year.

## PURPOSE OF LOANS

<i>Purpose</i>	No.	Amount
Cultivation expenses	.. 158	17,886
Purchase of cattle	.. 17	1,138
Taxes	.. 137	10,117
Improvement of lands	.. 17	7,583
Artisans appliances	.. 8	417
Trade	.. 58	8,704
Education	.. 3	700
Purchase of carts	.. 2	120
Purchase and repairs of houses	.. 19	2,879
Purchase of lands	.. 1	500
Purchase of foods and necessities of life	.. 907	13,720
Discharge of prior debts	.. 84	14,687
Marriage	.. 2	560
	<hr/> 1 413	<hr/> 79 011

*Classified as per Denomination*

	No.	Amount
Loans below Rs. 10 ..	850	5,580
Loans above Rs. 10 and below Rs. 50 ..	235	7,052
Loans above Rs. 50 and below Rs. 100 ..	107	8,967
Loans above Rs. 100 and below Rs. 250 ..	163	26,432
Loans above Rs. 250 ..	58	30,980
	<hr/> 1,413	<hr/> 79,011

Out of the 1413, total number of loans disbursed during the year 850 loans are for less than Rs. 10, 235 loans for less than 50 i.e.,  $\frac{2}{3}$  of the loans are for amounts less than 50.

There are 1371 loans amounting to Rs. 96,393 outstanding against members on 30-6-41. They are classified as per security and period as shown below:—

**SECURITY :**

Security of fixed deposits ..	1	150
Security of gold ornaments ..	20	1,994
Security of standing crop ..	51	5,841
Security of produce ..	15	1,955
Security of car ..	1	85
Security of oil engine ..	1	224
Security of immoveable property ..	528	72,991
On personal security ..	754	13,153
	<hr/> 1,371	<hr/> 96,393

**PERIOD :**

Short term loans of one year and below .	960	28,318
Long term loans of above one year and below 2 years ..	50	1,470
Long term loans of above 2 years and below 5 years ..	358	65,805
Long term loans of above 5 years ..	3	800
	<hr/> 1,371	<hr/> 96,393

## PROGRESS OF LOANS

Loans on the last date of the year	1937-38		1938-39		1939-40		1940-41	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1. Crop and produce ..	19	2,615	60	6336	62	10,183	66	7,796
2. Gold loans ..	36	6,758	137	17,243	60	6,992	20	1,994
3. Mortgage loans ..	20	6,693	119	28,657	332	55,276	528	72,991
4. Surety loans ..	—	—	—	—	14	1,044	754	13,153
5. Loans on security of deposits ..	—	—	—	—	—	—	1	150
6. Other securities ..	—	—	—	—	—	—	2	309
	75	16,066	315	52,236	468	73,495	1,371	96,393

From the above figures it is evident that mortgage loans on ever-continuity bonds are increasing in number and becoming popular. The financing bank is freely granting loans to this bank on the remortgage on these bonds. The limit of borrowing is fixed to the members on the strength of these ever-continuity bonds and they are allowed to draw freely on their account as and when money is required for their agricultural operations. Gold loans are gradually discontinued for want of safe custody facilities. The financing bank also refused to sanction loans on repurchase of gold for want of an appraiser in the Bank. Loans on personal security are also developed with collateral security such as standing crop and the fixed salary of employees.

**Overdues.**—After the amalgamation of the Alamuru Co-operative Society with the Rural Bank its overdues were added to the Bank. There are no overdues in the Rural Bank for the last 3 years. By the end of June 1941 there were overdues for an amount of Rs. 7,000 in the old Society. A sum of Rs. 3,000 was left uncollected in the Rural Bank this year. Special steps are taken for the recovery of these overdues by the next harvest.

**Non-credit Activities.**—Hitherto, the Rural Bank was supplying manures to its members by taking agency from Parry & Co., and cloths from the A.I.S.A. After the war the cost of manures has risen abnormally. The members are unable to purchase such costly manures and they are going in for oil cake which is found cheaper in the market. So, the purchases of manure from Parry & Co., have diminished. The cloth from the A.I.S.A. is supplied as usual on commission basis. The sale of Khaddar is not promising owing to its heavy price. Sale of rice is taken up on a large scale during this year. Agency was taken from a local mill for the supply of rice to members. Nearly 400 bags of rice was sold to our members and the amount was realised out of the daily savings of the labourers. Two collection agents were specially appointed to attend to this work. This business is becoming popular among the poorer classes and a good number of this class of people join the institution for obtaining loans in kind.

**Lanka Cultivation.**—60 Harijan families of Jonnada are given credit accommodation for lanka cultivation. 150 acres of lanka land was taken on lease by these

members and the whole lanka was divided into 6 plots. These members cultivated the land jointly in 6 blocks. 20 pairs of cattle were purchased and supplied in the season for the cultivation of this lanka. After the season was over the cattle were sold and the amount was realised by the Bank with interest. The produce realised in the lanka was collectively sold by the Bank and the sale proceeds were credited to members' loan account. 60 candies of tobacco was stocked in the godowns of the Bank for a better market. The members earned a profit of nearly Rs. 1,400 after paying off the loans due to the Bank and the kist to the Government. They deposited an amount of Rs. 500 by way of share-capital in the Rural Bank and a sum of Rs. 800 as security for the lanka in the Government Treasury.

The Bank made arrangements for the distribution of pure paddy seed for seed multiplication in the area. The Agricultural Demonstrator at Ramachandrapur is paying constant visits and exhorting the ryots to grow special varieties of paddy.

Public lectures were arranged by the Bank on health and hygiene. Doctor Kristnan of the Cunoor Institute made a food survey in 50 families in the village of Alamuru. The Bank staff helped him in this work. Doctor Ayocroyed, the food expert, paid a visit to the village and addressed a large gathering of members in the Bank hall on balanced diet and the advantages of using hand pound rice.

The Bank is maintaining a reading-room out of its Common Good Fund. The *Hindu*, *Andhra Prabha*, and *Krishna Patrika* are subscribed for. A free Homeo Dispensary is opened and chests of medicines are purchased from the Common Good Fund of the Bank.

**Establishment.**—The Bank is maintaining paid staff for the day to day working of the Bank. Two clerks on Rs. 20 and 15 and 2 collection agents on Rs. 15 each, a shoroff on Rs. 10 and 2 peons on Rs. 6 and 4 form the paid establishment of the Bank. It may be possible to increase their pay in due course when the business of the bank develops sufficiently. The Financing Bank appointed an experienced Supervisor for this locality to scrutinise the loan applications of the Bank on payment of Rs. 100 towards the contribution to Reserve Fund. The Department is doing concurrent audit and final audit of this Bank. A sum of Rs. 75 is paid towards audit fees to the Government.

**Profits.**—In the first year of its working (i.e., 1937-38) the Bank earned a profit of Rs. 62-3-6. In the 2nd year (1938-39) the profit came up to Rs. 651-4-9. In the 3rd year (1939-40) owing to addition of additional staff, the Bank got a profit of Rs. 549-12-0 slightly less than the previous year. In the year under review, the net profit came up to Rs. 1,744-5-0. Out of this amount an amount of about Rs. 120 may be charged for audit.

**Dividend.**—The Bank paid a dividend of 6¼ per cent per annum to members in the 1st year. In the subsequent years it has been paying at 5 per cent per annum to build up the reserves more rapidly.

Our thanks are due to the department and the financing Bank for the encouragement they are giving for the improvement of the Bank in all the sphere of its activities.



The President of this Bank Sri N. Satyanarayana resigned his Presidentship on 21st February 1941 owing to personal inconvenience and his son Sri N. Janardana Sastry was elected as President unanimously. Sri Somanchi Venkata Ramamurthy, B.A., B.L., offered his honorary services in the absence of Sri N. Satyanarayana and he was unanimously elected as Secretary.

**Ever-Continuity Bonds.**—On the ever-continuity bond, loans are being granted originally for 3 years for long term credit purposes. After a borrower has drawn out the whole amount covered by the bond, further loans are being granted after repayment on annexure bonds, the total amount of the loans outstanding at any time not exceeding the face value of the bond. The period allowed for discharging the loans granted on annexure ranges from 6 months to 3 years, the period being fixed according to purpose for which the loan is taken. Thus the member can draw upon the Bank so long as he is not in default in paying his dues and there is accommodation in his loan account. The ever-continuity bond stands good for a period of 12 years.

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### RURAL RECONSTRUCTION WITH A DIFFERENCE

Those of us who were present at the meeting where the Indian Society of Agricultural Economics was founded will remember Mr. L. K. Elmhirst, the Founder and President of the International Conference of Agricultural Economists.

It may not be generally known that Mr. Elmhirst spent several years in India and was mainly responsible for the organization of Sriniketan, the rural development department of Tagore's Institute in Bengal. No doubt many of his constructive ideas matured during these Indian years. Mr. Elmhirst and his wife created, financed and continue to run in England one of the most interesting agricultural and social experiments of modern times. This has been shortly described by Mr. Elmhirst himself in an article entitled 'Faith and Works at Dartington' which appeared in *The Countryman* and was reprinted as a separate pamphlet in 1937. A more detailed and well-illustrated guide book is that by Nigel de Grey (1934) entitled *The Dartington Hall Experiment*.

**Estate with a history.**—Dartington Hall, Devonshire, is an English estate with a long history. It was in 833 the first recorded Saxon settlement west of Exeter. In 1068 it was the gift of the Conqueror to William of Falaise, then for three hundred years the home of the Martins, later the gift of Richard II, first to the Earl of Oxford on condition that he made peace in Ireland, and in 1390, to his own half-brother who laid out a fourteenth-century country palace for hunting, jousting and pleasure. It was afterwards owned by Margaret, Countess of Richmond, exchanged by Admiral Champernowne for an abbey, and kept in the hands of his descendants till 1925, when it was acquired by Mr. and Mrs. Elmhirst and here they started their experiment in rural reconstruction.

**New lines of development.**—Their aims are expressed by Nigel de Grey as follows:

'If the countryside is once more to attract the worker it must offer him some, at any rate, of the advantages of urban communities. There must be fair wages,

opportunity for advancement, contact with men and women in a variety of occupations, education taken in its broadest sense. Under present conditions the country labourer has little opportunity to talk to any but his fellows, the folk he meets at the village 'pub'. The outlying farmer's rare days off his farm take him to market, where he meets his fellow farmers. He has no chance to come up against men engaged in other professions, and so to get the clash of ideas, the sharpening of interests and wits that is so essential a feature of town life.

'Then, again, if the countryside is to prosper, it must attract money—the sinews of every campaign—and if it is to attract money it must be made to pay.

'With great clarity of thought they realized that this must be no effort to put the clock back. It must be a development along new lines, according with modern conditions and modern thought.

'This, then, was the task to be tackled. The estate must be developed. For that the latest results of scientific research in agriculture, horticulture and forestry must be used. Rural industries suitable to the district must be started. Centres of culture and recreation must be founded to show the way to the creative use of leisure. Everything that could aid in setting the wheels turning in rural England must be encouraged. Lastly, it must be shown without equivocation that it could be made to pay and that for two reasons.'

**Business proposition.**—'Firstly, this experiment was to show existing land-owners (or, in the event of political changes, the Nation as landholder) how an estate could be managed as an economic proposition; secondly, since the financing of any such scheme takes capital, that an estate should be as good an investment as the manufacture of soap, motor cars or any other commercial enterprise.'

From 1925 to 1927 experts were consulted, the soils of the estate were surveyed, local conditions and markets were examined, the personnel was selected, the buildings were put in order and new ones were erected, the gardens were resuscitated and a definite plan of action was prepared. Since then the venture has gone on from strength to strength.

To quote Nigel de Grey again:

'The Estate itself with its various departmental activities has been made into a Limited Liability Company. From that Company again depends a sub-company—Staverton Builders Ltd., and its sub-company, Devon Electric and General Service Ltd. Another company has recently been formed for land development—Churston Development Co. Ltd.

'Dartington Hall Ltd. may be compared with any ordinary manufacturing and trading company, with this difference only, all profits are payable to the Trustees for their use in furthering the purposes of the Trust—education and research. The plan was from the outset a ten-year plan, four to five years to carry out necessary research, to design and construct an economic unit, two to three years to bring that unit to full production, and two to three years to learn how best to market that full production.'

**Help of modern science.**—Every possible help of modern science has been employed in the working out of suitable systems of agriculture and animal husbandry,

in the combating of diseases, in the organization of markets and for the health of the people on the estate. Up to the outbreak of the present war, things were going well and there was no reason to doubt that most of the enterprises would reach a paying basis. Economic returns, however, were never the main objective, but merely the hoped-for practical result of an orderly and well-thought-out scheme. When the war disrupted and disorganized all normal activities, Dartington, because of its organic structure and outlook, was immediately able to readjust itself to the special needs of the war crisis. The various schools did not close down. The agricultural, dairy and poultry departments increased their productivity. The whole estate is now being utilized for the accommodation of a very large number of refuge children from London and Plymouth.

The following statement from Nigel de Grey's book may be of interest:

'The Estate of 1,260 acres farmland and woodland, with its additional woodlands of 1,777 acres, employs 846 men and women. It has 125 houses upon it, 16 school and industrial buildings, and over 4,000 active customers. All classes of workers have been brought together and recreation facilities that they can enjoy in common have tended to bring them into closer contact.'

**Care for the soul.**—The title of this article is 'Rural Reconstruction with a Difference'. One great difference is the emphasis on education and on art, upon music, drama and dance, on something for the souls as well as the bodies of the people.

That such ideals are not confined to one prophetic pair is shown by articles recently written by Mr. H. J. Massingham in the column headed 'A Countryman's Journal' in *The Field* of May 3 and May 10, 1941. He there describes work imbued with a similar spirit by Mr. Rolf Gardiner of the Springhead Estate near Shaftesbury in Dorsetshire. Here certain ancient estates have been rescued from dereliction and restored to fertility in seven years. In this process, a great part was played by an admirable system of composting, by scientific rotation, by skilful mixed farming, by proper utilization of woodlands, by the production and processing of the estates' own feeding stuffs for man and beast. But in addition there have been reawakened old festivals and rituals intimately connected with the seasons, reasserting continuity with the past, giving expression to the artistic side of human nature and developing a community spirit. Massingham sums up his impressions of this experiment as follows:

'In the Springhead work of reclamation and self-sufficiency on the land, in the pageantry of the seasons enacted by the villagers, in the land settlement and land service aims of the Ring,\* in the devotional aura that embraces the whole concept, I discern a new synthesis and integration. Here is nothing precious, or piecemeal, or mechanized, or hide-bound, nor has it been tainted by the futile intellectualism and leftwing dogmas of the age. It is a new regional growth arising spontaneously from our native earth and spreading its blossoms of faith and redemption into this present world of savagery and chaos. It lifts its shoots from the fibres of our national being; it is spiritual and practical; it is old and it

\*An organization for carrying out rural reconstruction at Springhead.

is new; it is many-sided and it is vested in a genuine local community. May there not be here the self-conscious, self-acting cellular unit of the England-to-be?’

These are signs of the times. Is it too much to hope that this spirit may spread and that such ventures may multiply in many countries?

—*Indian Farming*, November, 1941.

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## THE FORMULA OF RURAL RECONSTRUCTION

The objective of Rural Reconstruction is happiness. Happiness has an important and intangible none the less vital spiritual ingredient but its material ingredients are health, well-being, economic self-sufficiency, comfort and peace. The obstacles to the attainment of these things are (1) poverty, (2) ignorance, and (3) Disunity. These can only be removed by hard work. But there is no general desire for hard work or the acquisition of knowledge. Where can the incentive be found?

Indebtedness is no incentive, rather the reverse. Hunger is no better. Money for money's sake are no incentives. The desire for luxury and extravagancies is no incentive, none will get up early and work hard to earn money so that he may buy liquor or litigate or indulge in expensive social ceremonies. Every man, however, is interested in his home and is ready to defend it with his life. Once, therefore, a man has been imbued with the desire to make his home better and has been convinced of the possibility of making it better, there is no sacrifice he will not make and no labour he will not undertake in order to improve it or to maintain any improvement he has made.

The home is the centre of race and the standard of the home is the standard of living. The incentive we seek, therefore, is the desire to raise and maintain the Standard of Living. Our task is, therefore, to convince him that he can make his home better. That is done first by propaganda and publicity and all the various methods we are adopting, but the second and infinitely more important method is to give him actual examples of better homes in his own village. This is the duty of the privilege classes—all who have any advantage of wealth, education, position,—official or non-official—given them by Providence, Government or their neighbours or community.

The third means of instilling the ambition of a better home is to enlist the women in the campaign. The presiding genius of the home is the ‘gharwali,’ the home-maker. Her whole existence is wrapped up in the home. Its protection and improvement is natural and instinctive to her. She, therefore, requires no imbuing with a desire to improve it. All she requires is knowledge of possibilities of improvement of the home and the family and she will provide the motive power both for herself and her husband and children.

The example of the rural leaders and the education and training of the women are, therefore, the twin foundations of rural reconstructions. Give them the desire to raise the standard of living and it will soon spread in the villages and all the rest will follow better farming, better health, better homes, better industries,

better living. Without them we are rolling a stone up hill, running a race against the tide of increasing population, compelling people to acquire wealth which they will only waste for want of worthy ideals on which to spend it.

—*The Co-operator's Bulletin*, February 1941.

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### RURAL RECONSTRUCTION IN KASHMIR

A vast field for rural reconstruction exists in the Jammu and Kashmir State and those engaged in it are confronted with peculiar problems. Stretching to an area of 84,471, square miles and comprising a population of 3,646,243, out of which the population classed as 'Urban' comprises only 3,42,314 persons, the work of rural reconstruction takes in its fold the huge population of 3,303,929 which bears a proportion of 95.5 to the total population of the State.

The total number of villages in the State is 8,903, having an average population of 371. The number of villages having population under 500 is 6,913.

This huge population of the State scattered over hilly areas, remained practically uncared-for and it was only about three years back that the Kashmir Government established the Rural Development Department with a view to improving the amenities of life in rural areas. Ever since, the Department has been carrying on intensive work in the cause of village uplift in the State, within the limits of the budgetted grant, which compared with the huge task, has been very inadequate.

The reconstruction activities are not based on any preconceived idea or theoretical plans but on hard facts that are specially collected on the spot in different village units, by a staff trained and engaged for the purpose.

**Economic Surveys.**—To understand the cause of economic, social and cultural backwardness of the rural population and to try to improve the same, the Department undertook a comprehensive programme of the village surveys. The number of villages surveyed is over 1,500. Much valuable information has been and is being collected, and after being sorted out it is properly scheduled and compiled in the Direction office.

**Improvement Schemes.**—Village surveys help the Department in gauging the immediate requirements of each village unit. Improvement schemes are then framed. Such schemes embrace a wide range of activities viz., adequate supply of drinking water, construction of water reservoirs, sinking and repairing wells, providing hand pumps, laying out parks and common meeting places, linking of villages with main roads, paving village lanes and providing other facilities. Improvements have been effected in 273 villages so far.

**Village Industries.**—Other activities of the Department cover schemes of regenerating decaying village industries. As an experimental measure a school for shoe and boot manufacture on modern lines was opened in Neoli village in Mirpur District. A scheme for opening a pottery training school is also in hand. A knitting and weaving centre for training village ladies is also functioning under the auspices of the Department.

**Education.**—Recently, with the inauguration of the mass literacy drive by the Government, the Panchayats have begun to play a prominent role in educating the adults. To bring about a change in the psychology of the peasant, the Department has from the very beginning undertaken an extensive campaign of visual education. Magic lantern lectures combined with cinema shows on uplift topics are extensively provided for villages audience.

**Health and Hygiene.**—Carefully planned campaigns regarding health and hygiene are arranged in selected areas with a view to educating ignorant masses about the causes and prevention of common diseases.

In Kashmir Province a Health and Sanitation Campaign has been conducted for the last three years in which college students took a leading part.

An anti-malaria campaign in the Jammu Province has been an annual function of the Department. To convince the Zamindars about the cause of malaria, it was found that no amount of vocal propaganda would do. The Department, therefore, arranged to send anti-malaria demonstration parties equipped with all the known preventives against mosquitoes and malaria. The parties went from village to village and quinine parades and lectures were delivered. As a result of this the percentage of malaria victims considerably decreased in the areas visited.

Radio sets for entertaining and educating the villagers have been installed in 40 villages.

**Panchayats.**—To provide a permanent machine for the administration of all the common concerns of the villages and to help in settling petty civil and criminal cases, village panchayats are being established. The number of such autonomous multipurpose statutory bodies functioning at present is 270 and their jurisdiction extends to over 1,892 villages.

Village libraries have been established at a number of places in both the provinces. A monthly magazine "Dehati Dunya" is being circulated by the Department. Besides, containing items on State, Indian and International news, articles on health and hygiene, village industries, everyday economics etc., are published in the magazine.

**Drinking Water.**—Due to extra variation in climatic, geographical and topographical conditions of the different parts of the State, the problem of drinking water supply presents extraordinary difficulties. There are some areas in the State where the average rainfall is less than a few inches per year; whereas side by side there are places where the average rainfall exceeds 60 inches a year.

The water supply problem is particularly very serious in Jammu province. There are large areas which form the last ranges of the outer hills and consist of stony ranges about 20 to 30 miles at stretch. This area known as the Kandi, has to depend generally on the scanty rainfall for supply of drinking water which is collected in large tanks and ponds dug for the purposes. Therefore provision of fresh water supply by installation of hydraulic rams has been found feasible and recently a scheme for one such area has been sanctioned at an estimated cost of Rs. 10,000. Arrangements for sinking deep wells by a special boring plant which could successfully operate through the rocky soil of the Kandi is under considera-

tion of the Department. At some places big reservoirs have been built and arrangements for pumping of the water provided.

—*The Co-operator's Bulletin*, February 1941.

### DRIVE FOR BETTER VILLAGES

There are several approaches to village work. The one that was most familiar to us city folks was a dust-raising programme once every year. Students and well intentioned adults visited villages on such occasions, swept the streets, cleaned the surroundings of a well, and gave a series of lectures on how to eat a well balanced diet with plenty of milk and how to bring up children and educate them and so on and so forth. This programme, while solving the conscience of the city folks, brought a little diversion once in a while to the poverty stricken villages but most of them regarded such visitations as a pest that is best got over. When the good people had gone the villagers resumed their usual ways, forgetting that anything out of the way had happened.

**Benevolent Drive.**—Then followed a few protagonists of Government rural reconstruction, who came with triumphs blowing, with an army of camp followers and lorry loads of implements for borehole latrines and with improved ploughs. Villagers listened to their wisdom patiently and carried out orders as long as there was pressure, but as soon as these messengers of new life departed the villagers reverted to their old ways in spite of the expense the Government had gone to set them right.

Now comes Gandhiji neither preaching nor prodding but with an example of life lived among them. To grasp his plan of work we have to understand the philosophy of life underlying it. It is a non-violent approach that aims at an evolution from within. It will necessarily, be slow and unassuming but once it takes root it will be permanent, while the violent methods are spectacular quick but superficial and short lived.

Gandhiji approaches the villagers with no patronising airs. He goes with a humble spirit of service, willing to learn. He realises that the lifeblood of India throbs in villages, towns being mere parasites. He places the village in the centre of his scheme and all other considerations are subsidiary to it. With him village reconstruction does not concern so much with material aspect of the work as with the development of the human beings. Once this change in the culture of the villager takes place the villager himself will alter all other things to suit his new found self. We can understand Gandhiji's attitude best by studying what has been achieved so far. His programme is laid out on not any one particular aspect of life but on the assumption that any plan calculated to be of use must be comprehensive of all phases of human existence—life taken as a whole political, economic, social and educational. I have stated these not in the order of importance but according to the order in which Gandhiji has worked. He is primarily a politician and his first love is politics. Then he discovered the basis of politics was economics and this was added. Then he proceeded to the injustice of social organisation and at last he found the heart of the problem in education. A scientific approach would probably have been in the reverse order, but we have to take Gandhiji as he is—a man driven by intuition rather than by reason.

**Political.**—Before Gandhiji's advent, politics was the preserve of the intellectuals and city folks who desired to oust foreigners and put themselves in places of power held by Britishers. There was much of the self in their politics and it began and ended with platform oratory. It was left to Gandhiji to push these ornate personages out of the way and send the roots of political life deep into the villages. This led to the awakening of the masses and a sense of self-respect. It dispelled fear of the white skin. It brought out young men with a desire to serve the country without any selfish ends and bands of political volunteers became available to carry the message into the villages. Even women came out of their age long seclusion to take an active part in political work facing imprisonment and other hardships. Muddy politics were spiritualised with the introduction of Satyagraha.

This started a definite drive towards real democracy, with an emphasis on the duties of public workers and the need for self reliance. Hitherto the Government was looked up to for every thing. Now people were being told that they were quite capable of helping themselves. This induced a great deal of confidence and opened the way for real constructive work with the Indian National Congress as the political axis.

**Economics.**—Apart from the speeches the real economic drive began with the Swadeshi movement following the partition of Bengal. At that time the idea of Swadeshi was purely political, i.e., Indian made articles as against foreign made goods. Gandhiji was quick to discern that the downfall of India was due more to economic causes than political ones and he bravely shouldered single handed the burden, ridicule and ignominy of the charkha movement. This watered the seed of life in villages and bound him with hoops of steel to the heart of the masses. When as a consequence of the charkha movement boycott of foreign cloth began people became accustomed to self denying ordinances which were stronger and more formidable than any tariff that can be imposed by the might of Great Britain. The Big Bertha of non-violence knocked the base out of Manchester more effectively than any long range gun yet conceived by man.

The economic reconstruction took the benefit of the masses as the heart of the country and distribution of wealth as the blood circulation to bring life to the villages. With these ideals the A.I.S.A. and the A.I.V.I.A. began working, not as producers competing with the artisans but as organisations calculated to help with research and experiment needed in pioneer work.

Till now markets were said to be controlled by prices. These two bodies made a bold bid to fix prices not from the top but from the bottom, allowing for a subsistence wage. We took up industries with direct relation to the benefit to the masses effecting their food, clothing and other necessities expanding not to satisfy the gallery but according to the power we were able to generate.

Work found its legitimate niche as food for the well-being and development of men's faculties. The glamour of the Western civilization based on a multiplicity of wants began to wane with the glorification of work and the example of the grandeur of the simple life of Gandhiji and the ostentatious life of the rich was covered with the dust of the third class travel.

With this spade work we are going on with resuscitating industries that will maintain the people, provide them with the medium for culture and self-expression,



**Social.**—The equality of man and his dignity has to find a permanent place to our villages. To redress some of the evils, the Harijan Sevak Sangh was started, bringing to the down-trodden the much coveted opportunity of education and vocational training to make them self-respecting citizens. Their water supply and housing problems it is sought to remedy.

All this effort will be in vain if the younger generation are neglected. Such as we should like to reform the adults the real construction must begin with the child. For this the Hindustani Talimi Sangh strives to harness the educative factor in work to teach the children to build up the future citizens on the firm foundation of character. When this is accomplished we shall not witness the heart-rending spectacle of a villager with a smattering knowledge of the three R's seeking to become a clerk in some office. This wrenching of men away from their natural inclinations has come about by the present system of education which has no root in the life of the people.

We have seen as it were in a kaleidoscope, the multifarious attack on the problem of the village from the Gandhian approach. Unless we build on the rock foundation of character, on a non-violent basis, with duty as the keystone our efforts will be in vain. If we succeed in this attempt the edifice will be capable of withstanding the fury of the weather for ages to come.

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### LET'S MOBILISE OUR MONEY CO-OPERATIVELY

It has been more than 25 years since Justice Brandeis warned Americans that they were being controlled by their own money. It's high time we did more about it. There are two ways to do something about it which everyone can do right now: invest in co-operative shares; invest in co-operative savings.

*I, John Doe, Owe My Co-operative Association \$———?.*—We think backwards generally about our Co-operatives. We think of dividends first and investments second. We have been fooled by reading the stories of Britain where one can join a co-operative by paying a shilling down. That's all right when the movement has plenty of money. But here in America, our co-operatives are badly under-capitalized. A Bulletin of the University of Minnesota says that of 92 oil associations, 41 *owe more than they own*. They have been bled white by dividends. No one should be allowed to join a co-operative without understanding that he is expected to pay in as soon as possible his equal minimum share of the capital needed for facilities and inventories. That might be \$25, it might be \$50, or it might be \$100. But whatever average minimum amount is needed should be considered as owed by each member to his co-operative until paid. It's all right to be allowed to join and to become a voting member by paying in full for one share. But to be a full-fledged member, each one should be expected to invest whatever average amount is necessary. We need to think in terms of *ownership* rather than *dividends*.

*I, John Doe, Invest My Savings Co-operatively.*—The most practical as well as the most patriotic thing every co-operator can do is also to invest his or her savings co-operatively. By so doing, excessive interest rates will be reduced and inflation also in part prevented. Credit Unions are the simplest form of Co-operative Savings Banks, Co-operative Preferred Stocks are another possible form of investment of surplus savings. Co-operative Investment Certificates are an-

other. Consumers Co-operative Refineries of Saskatchewan are now offering Co-operative Savings Bonds, which co-operatives in the United States might well do.

Before war, during war, or after war, *we all need to learn to bank co-operatively, as well as buy co-operatively.* Put your money at work working for you and your country in co-operative shares or savings.

### APPOINTMENT OF PAID SECRETARIES

**Draft amendment to Rule No. XXVII of the Rules framed under the Madras Co-operative Societies Act.**

After rule XXVII of the said rules, the following rule shall be inserted, namely:—

“XXVII-A. Every financing bank, every registered society with limited liability and a working capital of not less than rupees one lakh and every mortgage Bank which has advanced loans to its members to the extent of not less than rupees three lakhs shall appoint a paid secretary. The paid secretary shall be disqualified for being appointed as, and for being, a member of the committee of the financing bank, the society or the mortgage bank, as the case may be.”

**Explanatory Note.**—In 1928, the Townsend Committee on Co-operation recommended that central banks should either have a paid secretary or a competent manager, if the secretary was honorary. With the increase in the volume of business, the need for a technically qualified officer who can devote his entire attention to the business of the banks has become urgent. Whatever may be the advantages of the system of honorary secretaries the difficulties inherent in that system and the abuses to which it has led are too numerous to allow it to continue any longer in those institutions which can reasonably afford to pay a qualified officer for a post which provides full time occupation. An honorary officer cannot be expected to devote his whole time to the duties of the post and it is difficult for the management to take any action in the event of neglect on his part. It is also clearly undesirable that the secretary's post should be subject to the vicissitudes of an annual election or that the officer should depend for the retention of his office on the good will of one faction or another when these exist in a bank. It is therefore considered that necessary provision should be made in the rules issued under the Madras Co-operative Societies Act to require every central bank to employ a fully qualified paid secretary. Many central banks have already adopted this course and the others should not find it difficult to fall in line with them.

For these reasons there is need to appoint paid secretaries in some of the big urban banks also. The Committee on Co-operation in Madras (1939-40) has made such a recommendation and the draft rule makes provision for it. About a third of the banks which will be affected by this rule already employ paid secretaries.

Land Mortgage Banks do not employ paid secretaries at present but as their transactions develop, it will be necessary for them to do so. It is considered that it will not be difficult for land mortgage banks which have advanced loans to the extent of Rs. 3 lakhs and more to have paid secretaries besides the supervisors employed by them. It is therefore proposed to apply the new rule to land mortgage banks also, coming under this category.

## THE DAIRYMAN'S

**A**LWAYS good markets can only be soundly held and developed by supplying them with best quality Dairy products.

**B**BETTER Butter and Cheese should therefore be the constant aim.

**C**LEANLINESS is a first essential. Utensils, Cow Bails and surroundings demand continuous effort in that direction. Cans, though washed at the factory, become contaminated during return, and should be thoroughly scalded before refilling.

**D**ON'T use a Dog or otherwise unduly excite the Dairy Cows, thus avoid the production of abnormal Milk and Cream.

**E**ACH Cow's udder should be thoroughly washed and dried prior to milking.

**F**REELY wash hands before and at intervals during milking, and as far as practicable avoid contact with the milk.

**G**ET the habit of discarding the first streams from each teat into a separate bucket. This Milk invariably is a potent source of quality deterioration and should not be mixed with main supply.

**H**EALTHY Cows produce pure Milk, but careless handling will quickly soil the product.

**I**F Cans are not filled, cream is liable to churn in transit. Undue metal surface also heats the Cream and imparts metallic flavours. MOTTO: Use the right size Cans—send to Factory full as possible.

**J**UDGE not too harshly the Factory Manager or Cream Grader when Milk or Cream fails to make the standard. There is an unenviable task, which you can lighten by searching at home for the cause of the quality trouble.

**K**EEP the breed of Cows preferred, but concentrate upon high yielders only. Quantity and quality go hand-in-hand.

**L**IBERALLY feed them on fresh, palatable foodstuffs. Anything likely to taint milk flavour should be eaten immediately after, and not just before milking.

**M**ILK and Cream should be cooled as soon as possible after milking, or separating, thus promptly excluding animal heat and harmful gases. Cooling is more than half the battle towards best quality.

## A—B—C.

**N**EVER add fresh warm, to older and cooler Cream. Aim at equal temperatures, then mix and stir thoroughly with a Tinned Metal Stirrer (under no conditions use a Wooden Stirrer). Agitate the Cream once daily from bottom to top to ensure a thorough blend, that action will also break up and allow gases to escape.

**O**BERVE and continuously enforce the utmost cleanliness with the Cattle, Attendants, Dairy, Bails and all Utensils.

**P**PROMPTLY remove from the Herd any animal suspected of bad health, and reject Milk from that source. Milk from freshly calved cows must not be used for at least seven days.

**Q**UIET, quick, clean and thorough milking is necessary if best results are to be obtained.

**R**EAD any current Daily Literature, and thus keep abreast of new ideas.

**S**EPARATE Cream to test from 35% to 37% Butterfat in Winter and 40% to 42% in Summer. If too thin in hot weather, Cream sours quickly.

**T**AKE the Separator parts, Metal Piping, Taps, etc., adrift after each operation, wash, then sterilise in boiling water, and hang in the sun to dry. Rinse thoroughly with boiling water, prior to assembling for the next milking.

**U**SERS of Milking Machines must exercise every care towards keeping all parts, particularly Rubbers, thoroughly clean and sterile. Submerge rubbers in clear lime water between milkings.

**V**ERY often good Cream is spoilt by the use of rusty Cans or Utensils. Make sure that no patches of rust or bare metal contact the Milk or Cream. Do not leave Cream standing in the sun awaiting transport.

**W**ASH all utensils thoroughly, first in cold water, then scrub in hot water to which has been added washing soda or some prepared cleanser, finally sterilise in boiling water, and place on racks to dry.

**X**'XCUSES CUT NO ICE.—Read the foregoing carefully—follow advice given, and Milk and Cream should then make the grade.

**Y**OU are aiming for success and profit.....Quantity plus quality is the "High Road" to that objective.

**Z**EALOUS application of the formula outlined in this simple dairyman's A-B-C will eliminate Low Grade Cream, and thus materially assist towards inducing the highest possible cash reward the Industry can pay. Thus may be achieved that profitable contentment—the ultimate goal of every dairyman.

—*The Westralian Farmers' Gazette*, September 1941.

## ONE DAY IN THE LIFE OF A CO-OPERATOR

On arising each morning I brush my teeth with co-operative tooth paste and then I shave with the aid of co-operative Brushless shave cream and a co-operative razor blade. After that I sit down to a breakfast of co-operative grape fruit juice, co-operative corn flakes, co-operative butter on bread toasted in a co-operative toaster and spread with co-operative jelly. Topping it off are two cups of good co-operative coffee. During breakfast a co-operative radio brings me a co-operative sponsored newscast that keeps me abreast of world developments.

On the way to the office I light a co-operative cigar, and life immediately becomes richer, more satisfying. Even the car seems to run better, equipped as it is with co-operative tires, tubes, battery and spark plugs, with an ample supply of co-operative compounded oil in the crank case, co-operative manufactured grease in the chassis, and a tankful of gas from the first co-operative refinery in the United States.

On reaching the office I find a co-operative newspaper on my desk. It's *The Co-operative Consumer*, official paper of Consumers' Co-operative Association, which will be much improved when additional equipment has been added to the co-operative printing plant acquired by the Consumers' Co-operative Association, March 1, 1941, enabling us to print a co-operative paper in a co-operative plant. I switch on the lights in my office—lights generated co-operatively at a cost of 1.6 cents per kilowatt hour as against the commercial rate of nearly 6 cents per kilowatt hour. On my desk are letters from co-operators, and a group of co-operative members are waiting in the lobby for a conference.

Noon comes and the conference is adjourned for lunch which is served in the co-operative cafeteria in the basement of the Consumers' Co-operative Association, where nearly every item on the menu is a co-operative label product. The annual patronage dividend from the co-operative store and cafeteria more than pays the costs of my membership in a Co-operative Health Association of which I am a member. When prepaid medical, surgical and dental care are added under the plan, interest on my shares in a retail oil and gas co-operative in a credit union, in the Co-operative Oil Producing Association, in the Co-operative Pipe Line Association and the Co-operative Refinery Association should enable me to pay in advance for the added health care.

After a day at the office I drive home. It is spring time, and time for painting. On reaching home I find that Mrs. Cowden has engaged a painter to brighten up the home. What kind of paint is it? Co-operative of course, made in a Consumers' Co-operative Association factory owned by 125,000 consumers.

In my favourite chair, next to a co-operative bridge lamp, I turn to a volume entitled *Co-operatives—A Way to Peace*. It is an antidote to the headlines that scream of war and human conflict. On laying it down I have a feeling that those who labour in the co-operative field are rewarded daily far beyond the amount of their respective pay checks—rewarded with the satisfaction that come from living and carrying forward the co-operative way of doing business.

—*Consumers' Co-operation*, September, 1941.

## CO-OPERATIVE NEWS AND NOTES

Report on the Marketing of Milk in India and Burma states that it is possible to increase readily, through proper feeding and management, the yields of Indian cattle by nearly 50 per cent is indicated by the fact that village cows when brought to the Government farms give on an average about 60 per cent more milk in their subsequent lactations. An increase in the annual output of milk amounting to about 2,100 lakh maunds (valued at Rs. 52 crores) could be readily obtained with certainty through better feeding and management alone of milch cattle already existing in the country. Although the milk yield of India's cattle is low, the fat content or butter fat production is high. The result is that, reckoned on a butter fat basis, the yield particularly of she-buffaloes, compares favourably with that of improved cattle in other countries. The fat content in herd milk of India's cows ranges from 4.5 to 5.5 per cent according to different breeds. The milk of Indian she-buffaloes is richer still and is perhaps the richest milk in the world from any dairy animal with a fat content that ranges from 8.5 to over 9 per cent. Goat milk has a fat content of 4 to 5 per cent.

\* \* \* \* \*

A sum of three lakhs of rupees has been set apart by the Government of Mysore to be at the disposal of the Cottage Industries Committee in Mysore for the development of cottage industries, according to a three-years' plan drawn up by the Industries Department. The Committee have resolved to start immediately six centres for button-making, out of which two would be reserved for gosha ladies. It is also learnt that the Committee will study the possibility of making Kankanahalli (near Bangalore) a paper-making centre shortly, as paper-making as a cottage industry is sought to be encouraged.

\* \* \* \* \*

His Excellency Sir Maurice Hallett, Governor of the United Provinces, during the course of his address to the Kurwar Rural Development Centre, Sultanpur, is reported to have observed: two courses of action are necessary if any success is to be expected in rural development: the first is avoidance of window-dressing and the second, scientific planning. There has been little or no planning. Organisers have been appointed without training or qualification. Each has been given a circle containing upto as many as twenty villages, a circle which he cannot hope to improve. My own personal belief is that resources should be concentrated so as to ensure thoroughness. This involves education of the villager in the manner in which given the will, he can improve his own livelihood.

\* \* \* \* \*

At its ninth annual general meeting held at Delhi in August last, the Indian Sugar Mills' Association strongly recommended that, having regard to the increase in the excise duty on sugar from Re. 1-5-0 in 1935 to Rs. 3 per cwt. now, the Central Government should increase the rate of allotment from sugar exercise receipts to the fund for cane development work from Re. 0-1-0 to 0-3-0 per cwt. of sugar assessed to duty.

With a view to increasing the consumption of sugar the Association recommended that the excise duty on sugar be reduced, that the provincial cesses on

cane in the U. P. and Bihar should be abolished, that immediate steps be taken to improve the condition of cane production to enable the grower to get the maximum tonnage per acre consistent with higher recovery and that cheap transport facilities for the carriage of sugar and cane should be provided.

\* \* \* \* \*

The first Divisional Conference of Canegrowers was held at Meerut on the 9th November '41, where a resolution to the effect that at least 50 per cent of the net profits of cane societies should be spent on work of rural welfare, among others, was passed.

\* \* \* \* \*

The Report of the Registrar of Co-operative Societies in Ceylon for the year ending 30th April, 1940, shows that there were 1,601 co-operative societies in existence at that date, with a combined membership of 69,967 and total working capital of Rs. 4,029,605. In addition there were 51 Supervising Unions to which 802 societies were affiliated and 3 Central Banks, with which there were affiliated 1,065 societies as well as 4 Banking Unions with 95 affiliated societies. The 1,601 societies included 971 credit, 70 Thrift, 21 Store and 19 miscellaneous societies. During the year the work of improvement of villages was continued, and there was greater co-ordination between the Co-operative Department and other rural development departments.

\* \* \* \* \*

The Cochin Co-operative Land Mortgage Bank, Trichur has to its credit, another year of successful working. The working of the bank resulted in a net profit of Rs. 12,259.58 during the year ended with 16th August 1941.

\* \* \* \* \*

Farmers' co-operative marketing associations have now gained a firm foothold in the United States and are showing a remarkably healthy growth. There are over eight thousand three hundred of these associations in October '41, with two and a half million farmer members, doing an annual business of over two thousand million dollars.

\* \* \* \* \*

Under the caption 'Youth' in the August '41 issue of the Review of International Co-operation, Mr. S. Apelqvist (F. K. Sweden) throws interesting light upon how the young people in Denmark are awakening to the greatness of the rise and development of the Co-operative Movement and to the importance of the co-operative ideals for the future of Denmark, when the country is once again free. The question 'Where is Youth going and what shall we do to win its sympathy and voluntary collaboration' is regarded by the writer as a vital problem for the Consumers' Movement 'which itself is a constituent part of that system of free human association and life in common which is threatened to-day by the very direst peril.'

\* \* \* \* \*

The Government of Great Britain have adopted a policy of price stabilisation the purpose of which is to prevent any further rise in cost of living index, apart from minor seasonal changes, above the present range of 125-130 in terms of the pre-war level. An Act called the Goods and Services (Price Control) Act has been

passed and it became Law on 22nd July. The following three main methods have been adopted to prevent excess of spendable money leading to a rise in the prices of necessities and to bring about an equitable distribution of consumers' goods.

1. Severe additional direct taxes have been imposed, which should have the effect of restricting the expenditure of those most able to bear the burden.

2. Rationing of foodstuffs and of clothing has been introduced to conserve supplies and to ensure a fair distribution.

3. A policy of price control has been adopted through the Prices of Goods Act, now extended by the Goods and Services (Price Control) Bill through the exercise of direct price-fixing powers and through the grant of subsidies.

\* \* \* \* \*

The popular journal of the V. S. K., (Switzerland) in an article on War Economy and Co-operation, the need for a better order of society is stressed. The new economic order which is to be established must guarantee to all men an existence worthy of human beings. Man and his needs must be given first consideration and profit must cease to be the principal aim of economy. Our thoughts must be turned away from money and directed to man and his needs. In such an economic system the worker will occupy a very different position. His labour will cease to be valued as a commodity according to the laws of supply and demand; he will have a decisive influence on national economy in regard to production as well as consumption. Only then will he receive his full share in the goods which he produces.

\* \* \* \* \*

The IXth All Travancore Co-operative Conference will be held at Trivandrum on the 29th and 30th December, 1941.



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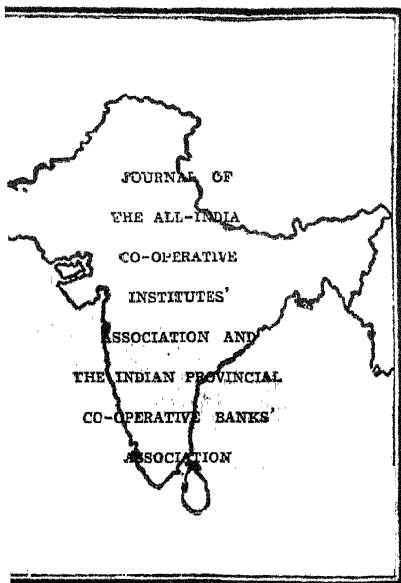
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